# Optimization

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## RESEARCH PAPERS



## CASE STUDY



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# Contents

***From the Desk of the Chief Editor, Djamchid Assadi***

Optimization: Journal of Research in Management, Bi-Annual Journal of GLBIMR, continues its flagship and untiring journey during the Covid-19 pandemic worldwide. Its timely delivery of the authors' expectations has unturned the results in the forthcoming first issue of the volume 14 that offers eight papers in different management and economic fields. They are selected out of an initial set bf 30 papers after peer evaluation and plagiarism checks.

As I share below my views upon the best researches and open the horizons giving them the aim towards artificial intelligence and machine learning applications.

Madu Ikemefuna, Dr. Karimu Ishola from *Federal University, Gashua* and Otajele Abune Abel from *Kogi* State *Un*iversity, *Anyigba* from provides O**perational Review to Poverty Reduction in kogi State, Nigeria: Cottage industries as the Panacea**". Our researchers here aim to explore the relationship between economic security and the promotion of cottage industries in kogi state with its hypothesis which states that relationship does not exist between economic security and the promotion of cottage industries in kogi state. The mean scores have its positive tilt above the average of 3.5 as a basis. This by implication means that very strong correlation exists between economic security and cottage industries. The study concludes that Cottage industries can be harnessed and upgraded to help contribute enormously to rural livelihood and also reduce poverty. Therefore, neglecting the traditional technology-based rural enterprises (cottage industries) or allowing them to go extinct because of the encroachment of modern technology, is a clear threat to rural linkages and ultimately to rural development. Finally, the study recommends that cottage industries should embrace diversification strategy to enable more employment in a diverse economy and that Cottage businesses if properly managed will serve as catalyst for industrial and economic growth of any Nation as most successful multinational companies and host of other started as a cottage firm in their home countries.

**"A journey of Socialistic Pattern of Society to Globalisation and then to Aatam Nirbhar Bharat"** has been contributed by Preeti Rustagi from K R Mangalam University, Gurugram and Dr. D R Agarwal, Starex University, Gurugram. In this research, they examined the planned programme of development that was started by launching a series of five-year development was started launching a series of five-year plans under the guidance of the central planning authority (Planning Commission set up in the Year 1950) intending to set up a socialistic pattern of society based on the Nehruvian Model. As the result, the public sector gained commanding heights in the economy without proving its accountability and transparency and this led to an unprecedented foreign exchange crisis. It was a time when we moved from a period of controls and regulations to an era of economic reforms (Liberalisation + Privatisation+ Globalisation) that is the adoption of market economy and privatisation free from controls and regulations. This was observed as a period of Vasudhav Kutumbkam that is the whole world was a global village. In the second term of the Modi Government (2019-24), there has been a shift of emphasis from globalisation to a self–reliant economy that is Aatm Nirbhar Bharat (Vocal for local). Thus our journey started from establishing a socialistic pattern of society has reached a self-reliant economy – may it be because of Covid -19 pandemic in phases and the basic problems remain to be addressed. This Paper highlights the whole journey of the Indian Economy.

"**Factors Influencing Employee Engagement In Pwd Department Of Mysuru**" contributed by Dr. Swathi.S from Yuvaraja College, University of Mysuru investigates government sector employees for analyzing the concept of employee engagement. The Karnataka Public Works Department employees of Mysuru branch are subjects for the study. In this paper factors influencing employee engagement in Karnataka Public Works Department is taken for the study. The SPSS software is used for data

analysis. Fifty convenient samples were taken for the study. Thirty-seven attributes were taken for analysis. Only nine factors have strong influence on employee engagement.

Rani Sharma from Research Scholar, Jaipur, Rajasthan contributed "**Analyzing The Potential Of Social Media On Heritage Hotels Of India**". The above study examines the internet's expansion that has constantly supported social media in society from the late 1990s and early 2000s. Several hundred million active users utilize various social media platforms, dedicating time to communicating and finding information within the cyber community. For both hoteliers and visitors, the advent of social media has offered up new opportunities. It has increased its marketing efforts for hotels. It has also aided travelers in getting insight into the area and arranging their stay. Such prevalence and linkage between these two variables, i.e., social media and travelers, proposes the study in the field of heritage hotels and social media. For this purpose, the data was collected from the Indian travelers with a functional sample size of 571. To conclude, the present research paper proposes the analysis of social media to understand the traveler's behaviors and suggest the marketing tactics to hotels.

**"Impact of financial system on the economic growth of BRICS Countries"** has been contributed by Dr. Mili Kar, Assistant Professor and Manisha Dey, Assistant Professor and Dr. Keya Das Ghosh, Head of the Department of Commerce & Finance, Amity University, Kolkata. The study is confined to broad money, domestic credit to private sector, stock traded total value as main barometer for the measure of financial development. The area under the financial system is very vast and study has covered only negligible portion and sidelined the others in the present study. The paper is based on annual data which neglected the quarterly effect of independent factors on the economic growth.

**Rationality of Indian Investors amid Uncertain Times during Covid-19"** has been contributed by Amit Kumar Singh from Delhi School of Economics, University of Delhi; Sandeep Kumar Goel from Acharya Narendra Dev College, University of Delhi and Srishti Jain, Delhi School of Economics, University of Delhi. The study aims to analyze the investment decision-making through investor sentiments influenced by three latent variables namely, herding behavior, market factors, and best game in town factors during the lockdown period (March 25, 2020 to May 31, 2020) announced due to COVID-19 in India. A total of 216 people responded to the structured questionnaire floated on various platforms. Structure equation modeling (SEM) has been applied to discern the formulated objective using SPSS and AMOS software. The results were startling as it portrays an Indian investor to be rational in the times of crisis as it is found that investors gave an upper hand to the fundamentals of the company while investing rather than their own sentiments.

A Case Study Contribution on **"The fate of technology-based Start-Up Post Covid: a case of Nykaa and Zomato"** by Dr. Arvind Kumar Bhatt and Dr. Anand Kumar Rai, Professors from G L Bajaj Institute of Management and Research, Greater Noida, UP, India. In the wake of the COVID-19 pandemic, start-ups have continued to impact economies substantially. The pandemic has prompted some innovative start-ups to respond fast and flexibly, and some have played a significant role. Over COVID19, countries have started shifting their work culture to work from home, digitized education, health care, and banking. Start-ups have taken advantage of these new circumstances by launching a variety of digital health services, which include COVID-19 trackers, remote patient monitoring, and remote consultations, introducing "no-contact" food delivery and developing artificial intelligence solutions for research and science, remote working tools, or online learning and entertainment, some of which they have provided free of charge.

Dr. Piali Haldar from GL Bajaj Institute of Management and Research contributed **"Sugar Cosmetics: Leveraging Social Media Influencers"**. The Indian cosmetics industry is USD 6.5 billion in compare

to global market of USD 274 billion. Some of the reasons behind this rising demand are increasing awareness of beauty products, increasing demand for premium personal grooming products, changes in consumption patterns and improves purchasing power among women. Demand for cosmetic is growing at an exponential rate among the women in India increasing number of working women, improving purchasing power among the women, changing lifestyle pattern. Three gaps were found in Indian beauty market, first is e-commerce market is still which is in nascent stages, expected to grow in future, the customers wants gain digital experience. Some of the factors motivating the shift towards e-commerce platforms are simplicity, time-saving, more choice and the "real-time" experience are creating excitement among the young women especially. Second is non availability of beauty products matching Indian skin tones and the third is no beauty product are available in medium price range in Indian market.

The contributions in Optimization for this issue shares timely and significant insights. The journal enhances towards new horizons under the best guidance of Dr. Sapna Rakesh, Director of our esteemed Institute and Dr. Arvind Kumar Bhatt, Associate Editor. The ambition aims at higher quality research papers on emerging topics. However, we co-operatively have set an objective to rise the propaganda of the journal with more prospective and new themed research papers in the days ahead.

# Operational Review to Poverty Reduction in Kogi State, Nigeria: Cottage industries as the Panacea

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***Abstract***
*Cottage businesses if properly managed are catalyst for industrial and economic growth of any Nation. Objectively, the study specific objective sought to X-ray the relationship between economic security and the promotion of cottage industries in kogi state with its hypothesis which states that relationship does not exist between economic security and the promotion of cottage industries in kogi state. The mean scores have its positive tilt above the average of 3.5 as a basis. This by implication means that very strong correlation exists between economic security and cottage industries. The study concludes that Cottage industries can be harnessed and upgraded to help contribute enormously to rural livelihood and also reduce poverty. Therefore, neglecting the traditional technology-based rural enterprises (cottage industries) or allowing them to go extinct because of the encroachment of modern technology, is a clear threat to rural linkages and ultimately to rural development. Finally, the study recommends that cottage industries should embrace diversification strategy to enable more employment in a diverse economy and that Cottage businesses if properly managed will serve as catalyst for industrial and economic growth of any Nation as most successful multinational companies and host of other started as a cottage firm in their home countries.*

**Key Words:** *Cottage businesses, economic security, industrial and economic growth*

**Background of the study**

Nigeria is a country blessed with abundance in human and material resources which if properly harnessed; she will compete with other industrialized Nations of the world. The government of Nigeria at all level have stepped up efforts to promote the development of cottage industries through increased incentives schemes, including enhanced budgetary allocations for technical and assistance programmes. New lending schemes and credit institutions were made available for assessing funds, this includes; the National Economic Reconstruction Funds (NERFUND), National directorate of Employment (NDE), directorate of food, roads and rural infrastructure (DFRRI), Central Bank of Nigeria (CBN),

Micro finance Banks and world Bank etc. All this institutions have also emerged at both National and local levels to boast the establishment and development of cottage enterprises in Nigeria so as to make the security of life a guarantee.

Cottage businesses if properly managed are catalyst for industrial and economic growth of any Nation. Most successful multinational companies and host of other started as a cottage firm in their home countries. As Inegbenebor noted in (1998), the desire of most developing countries including Nigeria is to have self-reliant economy capable of generating an internally self-sustaining growth. For a country which once earned most of its foreign exchange from agriculture, which taught Malaysia how to produce palm, it is a sad irony that the Nigeria Green Revolution failed due to, among others, misapplication of funds, insincerity, absolute neglect and a general high level of nationalism (Ogbalubi & Wokocha, 2013). Poverty in Nigeria has been assuming wider dimensions including household income poverty, food poverty/insecurity, poor access to public services and infrastructure, unsanitary environment, illiteracy and ignorance, insecurity of life and property and poor government. In response to the dwindling performance of agriculture in the country, governments have over the decades initiated numerous policies and programs aimed at restoring the agricultural sector to its pride of place in the economy (Salami, 2008). Collectively, these developments worsened the low productivity, both per unit of land and per worker, due to several factors: inadequate technology, poor transportation, environmental-degradation, and infrastructure, and trade restrictions.

The boom in the oil sector brought about a distortion in the labour market. The Nigerian economy has been in a process of continuous transition, both economically and politically. As regards the economy, it has been in transition from feudal to industrial, from primitive to modern and from a mixed economy to a market led one (Obi, 1988). In all these stages, small-scale enterprises and entrepreneurs are known to have taken part while the government plays the usual regulatory and facilitating role. Therefore, entrepreneurs and entrepreneurship constitute a vital engine to economic growth and development in Nigeria (Onuoha, 1994). The experience all over the world is that they play a significant role in the linkage of the various sectors of the economy, particularly, inter-industrial and commercial linkages.

**Statement of Problem**

Nigeria is blessed with abundance of Resources mostly in the Agricultural certain. Not until the era of oil boom in the early 70's when the economy was beginning to be consumed and crippled by certain individuals whom derived joy and fulfilled in diverting its development to the developed Nations and under-developing the under developed Nations of which her own is part of Economic guarantee is no more secured as such, the security of human become a thing of great concern following the popular saying that 'the poor's cannot sleep because they are hungry and the reach cannot also sleep because the poor's are awake'. With this, the economy could not move forward due to the mismanagement by the 'cables' that conspicuously spend extravagantly which lead the country's suffering economically and it's economy being depressed which create room for inflation, mass unemployment, mass retrenchment in both public and private sectors and rural–urban migration, high foreign debts, money devaluation and so many others thus the role of cottage industries for solution finding appears to be obvious with all the crisis in place, government now sought to promote the idea of self-sustainability through the promotion of cottage industries.

Government championed many campaigns on sustainability, self-reliance, entrepreneurship, vocational training; all these are mostly directed towards salvaging the youth unemployment that is busy growing on geometric progression.

**Objective of the Study**

The broad objective of this study is to examine the extend of relationship between cottage industries and poverty antidote in Kogi State. Specifically, the study seeks to X-ray the relationship between economic security and the promotion of cottage industries in Kogi State.

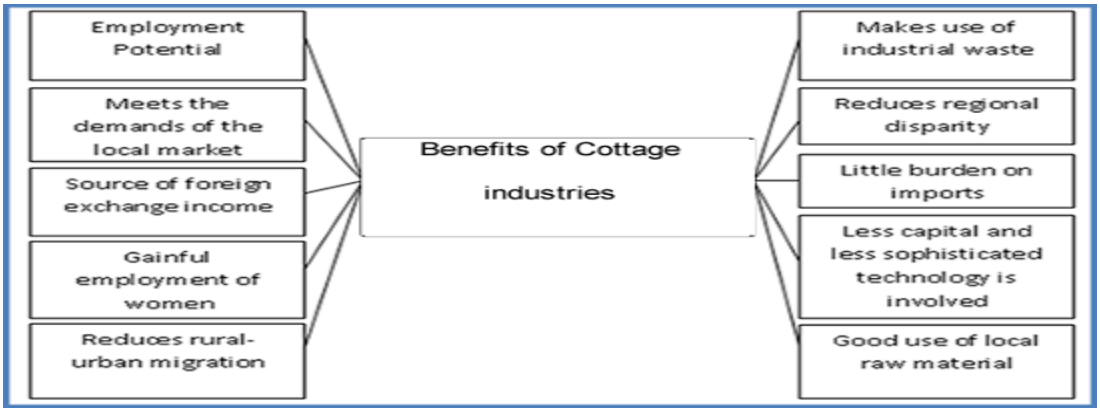
**Hypothesis**

$H_o$: That relationship does not exist between economic security and the promotion of cottage industries in Kogi State.

**Review of the Related Literature**
**Conceptual Review**

**Developmental vehicle through 'Cottage Industries'**
Industrialization in the less develop world remains a fundamental objective of economic development. In any economy, 'one or more serves as a prime mover or driving the rest of the economy forward'. Enquires of growth or leading sector has usually been played in less developed countries now assign a fundamental role of cottage industries in the process of economic development. Historically, fact has shown that in the 19th century, cottage industries controlled the economy of Europe. The industrial revolution changed the statute quo and introduced mass production. Many developed and developing economics have come to realize the value of small businesses. They are seen to be characterized by dynamism, witty innovations, efficiency and then small size allows for faster decision making process. Government all over the world have realized the importance of this category of companies and have formulated comprehensive public policies to encourage, support and fund the establishment of SME's Development in small and medium enterprises is a sin quo non for employment generation, solid entrepreneurial base and encouragement for the use of local raw materials and technology. Also, cottage enterprises could play an important role in arresting the president delay in the value of Gross Domestic Product (GDP). This category of enterprises could be counted upon for promoting stability and growth in gross domestic product through the quick returns they generate. For instance, in india, small scale enterprises contributed 26% of the total output and 21% of manufacturing value added (Babalola, 1982).

**Figure 1: Benefits of Cottage industries**




**Sources:** *Adeoye, I.A. & Bhadmus, H.B. (2015)***,** *Socio-Economic Contributions of Cottage Industries to Rural Livelihood in Nigeria.*

**Poverty Reduction/Antidote**

Poverty in Nigeria has been assuming wider dimensions including household income poverty, food poverty/insecurity, poor access to public services and infrastructure, unsanitary environments, illiteracy and ignorance, insecurity of life and property and poor governance. In response to the dwindling performance of agriculture in the country, governments have over the decades initiated numerous policies and programs aimed at restoring the agricultural sector to its pride of place in the economy (Salami, 2008). For Nigeria to attain self-sufficiency in crop production, the government must consistently focus attention on small-scale farmers as the centre piece of development (Fasina, 2008). It is on this note that the Report of the Nigerian Poverty Assessment 2007 stated that:

*None of the existing credit sources on agriculture appear able to provide credit to poor farmers, without which it is unlikely that they will invest heavily in productivity-increasing inputs. Given that poor farmers are less likely to have assets for collateral, none of the existing credit sources on agriculture appear able to provide credit to poor farmers, without which it is unlikely that they will invest heavily in productivity-increasing inputs. Given that poor farmers are less likely to have assets for collateral, innovative ways need to be found to provide credit, perhaps based on the group credit systems operating in other countries.*

The truth is that the beneficiaries of these agricultural policies are mainly people who are outside agricultural occupation. The National Economic Empowerment and Development Strategy (NEEDS) 2004 report give that the Gross Domestic Product (GDP) of Nigerian agriculture has continue to decline drastically. This indeed is worrisome considering the number of agricultural policies and program which have been introduced by government to boost agricultural productivity in Nigeria such as the National Accelerated Food Production Project (NAFPP), the Nigerian Agricultural and co-Operative Bank (NACB), the River Basin Development Authorities (RBDAs), Operation Feed the Nation (OFU), Agricultural Credit Guarantee Scheme (ACGS), Green Revolution Program (GRP), Agricultural Development Project (ADPs), among others.

**Concept of Economic Growth**

Economists have long been interested in factors which cause different countries to grow at different rates and achieve different levels of wealth. Flammang (1979), discuss economic growth as related processes based on the structure and functions of the political economy. The issue of economic growth received considerable attention particularly after the Second World War. Contributions from different economic schools presented their own view on what determines economic growth paths and how stable these growth paths are. Economic growth means an increase in the average rate of output produced per person usually measured on a per annum basis.

The classical economic literature emphasized the rate of expansion in physical inputs, such as, capital and labor, as being the prime basis of growth (Rodriguez & Sachs 1999; Sachs & Warner 1995; Toman, Pezzey & Krautkramer, 1995). While the neoclassical growth approach recognizes the worth of technology, it focuses on prices, outputs, and income distributions in markets determined through supply and demand. The prime goal of neoclassical economic theory is to provide efficient allocation of scare resources. Neoclassical literature contends that the particular set of institutions in an economy ‘does not matter’ in the sense that equilibrium prices and the allocation of resources are unaffected by specific institutional structures. Thus, the

traditional growth theory has concentrated on technology, transaction cost, and most importantly property rights instead of highlighting the functional significance of real-world institutions. Economic institutions also matter for economic growth because they shape the incentives of key economic actors in the societies. Particular they influence investments in physical, human capital, technology and the organization of production.

**Table1: SMEs Participation and Contribution to the Economy of Selected Countries**

| | Structure of the MSME Sector (% of all MSMEs) | | | SME Participation in the Economy | | |
|---|---|---|---|---|---|---|
| Country Name | Micro | Small | Medium | SMEs | SMEs Per N1,000 People | SME Employment (%total) |
| Brazil | 93.9 | 5.6 | 0.5 | 4903268 | 27.4 | 67.0 |
| China | n/a | n/a | n/a | 8000000 | 6.3 | 78.0 |
| Egypt | 92.7 | 6.1 | 0.9 | 1649794 | 26.8 | 73.5 |
| United Kingdom | 95.4 | 3.9 | 0.7 | 4415260 | 73.8 | 39.6 |
| Ghana | 55.3 | 42.0 | 2.7 | 25679 | 1.2 | 66.0 |
| India | 94.0 | 3.3 | | 295098 | 0.3 | 66.9 |
| Mexico | | | | 2891300 | 27.9 | 71.9 |
| Malawi | 91.3 | 8.5 | 0.2 | 747396 | 72.5 | 38.0 |
| Russian Federation | | | | 6891300 | 48.8 | 50.5 |
| United States | 78.8 | 19.7 | 1.5 | 5868737 | 20.0 | 50.9 |
| South Africa | 92.0 | 7.0 | 1.0 | 900683 | 22.0 | 39.0 |

**Source:** *World Bank (2007)*

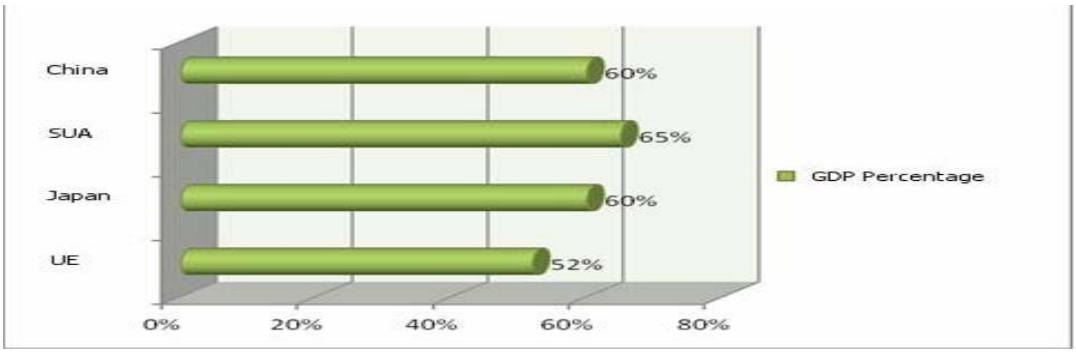
**Experience of Developed countries**

According to a report in 2013 from the National Bureau of Statistics of China, SMEs provide around 80% of urban employment contribute 50% of fiscal and tax revenue, account for 60% of GDP in China. Hence, a healthy development of SMEs is essential to ensure continual economic growth and social stability. China's SME sector contributed 78% to its total employment. In the United State of America, the SMEs account for 87% of the countries workforce. In 2004, there stood an estimated 23,974,000 businesses in the US, of which 5,683,700 were small trades who hired about 5,666,600 people (Longley, 2006). In USA, SMEs contribute nearly 39% to the national income (Udechukwu, 20003).

Regardless of the degree of development and standard of living of the population of a state, SMEs are the biggest contributors to the gross domestic product. In countries like Japan or China 60% of GDP comes from SMEs, in the USA that percentage goes up to 65%, and in the UE SMEs generate 52% of GDP. In the countries with a lower income per capita,

SMEs have a higher impact on the employment level, about 78%, compared to countries with a larger income, where the percentage goes down to 59%.In 2010 the degree of employment generated by SMEs in EU was 67%. Micro companies contribute to approximately 30% of that percentage, small enterprises with approximately 20% and middle companies with 17%. You can observe a growth of the employment and labour litigation since 2007 when the value of that indicator was 60% in EU (Wymenga, 2011).

**Figure 1.2: Contribution of SMEs to GDP of EU, Japan, USA and China**




In 2007, in Japan, the degree of employment litigation relative to SMEs was 69%, while in the U.S. of 57.9% (Economist Intelligence Unit, 2010). Later reports have presented larger values of this indicator, pointing us to one conclusion: the growth of SMEs numbers globally has had a positive impact through creating new jobs and lowering unemployment.

**The Nigerian Experience**

Subsequently, Adelaja (2002), revealed the importance of SMEs to the development of the Nigerian economy. He pointed out that the developing and underdeveloped countries like Nigeria lack good policies that favour SMEs development. Etuk, Etuk & Baghebo (2014), He examined the impact of SMEs on the development of the Nigerian economy, and found that the prevailing economic and political conditions have not given room for SMEs to thrive in the Nigerian economy.

Nigeria is a developing country in sub Saharan Africa where SMEs account for 60 to 70% in terms of employment according to Ojukwu (2006). Lal (2007), stated these SMEs currently represent about 90 % of the industrial sector in terms of Number of enterprises.

A study conducted by the International Finance Corporation (IFC) in 2001, estimated that 96 % of all businesses in Nigeria are SMEs Compared to 53 % in USA, 65 % in the EU (European Union) with SMEs in both places accounting for over 50 % of their respective country's Gross Domestic Product (GDP). Henderson (2002), Salami (2003) & Oyefuga, Siyanbola, Afolabi, Dada & Egbetokun (2008), argued that SMEs create jobs, increase wealth and incomes within their host domains and promote industrial and economic development through the utilization of local resources, production of intermediate goods and the transfer of rural technology. Henderson (2002), additionally noted that SMEs connect the community to the larger, global economy.

**Theoretical Review**

**Small is Beautiful Theory (Cottage Industries)**

The Small is Beautiful theory is a classic critique of the trends towards centralization, corporation, and globalization of non-

sustainability nature. The theory advances the promotion of small-scale economic markets and systems, co-operatives and greater decentralization (Schumacher, 1973). In a similar vein, Paulson (1980), found that the relative size of the small retail firm is associated with horizontal differentiation and levels of complexity. Also, Fullerton (2008), appreciated the observation of Schumacher's lead in his best-selling book, Small is Beautiful-Economic as if people mattered, with the opinion that the global system is broken not because of the credit crisis; it is broken because it is predicated on perpetual, resources driven with no recognition of scale limitation. It points out very skill-fully what is exactly wrong with the modern industrial society, and offers an alternative; appropriate technology, respect for human values, and especially bringing things back to the small scale. Indeed, Schumacher (1973), argues that the phrase "too big to fail" makes people think that big business and big government are the optimum. But when people feel a sense of ownership over their work and lives, when they feel truly included in decision that affects them, they are more likely to take genuine care in making things the best way they can be. It is the difference between the mind-set of an owner versus a renter.

**The Classical Theory of Economic Growth (National Poverty Antidote)**

This is a theory of economics, especially directed towards macroeconomics, based on the unrestricted workings of markets and the pursuit of individual self-interest. Classical economics relies on three key assumptions – flexible prices, Say's law, and saving-investment equality in the analysis of macroeconomics. The primary implications of this theory is that market automatically achieve equilibrium and in so doing maintain full employment of resources without the need of government intervention. Classical economics emerge from the foundations laid by Adams Smith and traced to the pioneering of his work in his book. "An Enquiry into the Nature and Courses of the Wealth of Nations", published in 1776. Classical economics dominated the study of economics for 150years after it was introduced. This work did not launch the modern study of economics; it continues to provide the foundation for modern microeconomics. Classical economics principles were also adapted to macroeconomic phenomena and provided a guide for macroeconomic policy until the beginning of the Great Depression in 1929.

David Ricardo considered by many to be the most noted classical economics. Ricardo made a number of contributions to national trade, labour market, and the distribution of income in the early 1800s that remain fundamental to the modern study of economic. Perhaps most important, Ricardo viewed the economy as a complex system of interrelated components and was a strong advocate of the principles laid out by both Adams Smith and Jean-Baptist Say. Jean-Baptist Say opined that "supply creates its own demand" classical law bearing his name. Say was a French economist who helped to popularize the work of Adam Smith in the early 1800s among other contributions, Say emphasized the importance of entrepreneurship as a productive factor and was among the first to observe that value and price depend on both supply (resource cost) and demand (satisfaction). The classical study of macroeconomics emerged from a set of axioms and assumptions that were used for all economic analysis, such as wants, needs are unlimited, resources are limited, people are motivated by self-interest, and more is preferred to less. However, three particular assumptions proved most important to the study of macroeconomics phenomena- flexible prices, Say's law, and saving-investment equality.

**Empirical Review**

Taiwo, Awolaja & Yusuf (2012), studied the impact of small and medium scale enterprises on economic growth and development. A survey method was used to gather data from 200 SMEs and Managers from five selected local government in Nigeria namely; Ijebu North, Yewa South, Sagamu, Odeda and Ogun Waterside Local government. Data was collected with a structured questionnaire and analyzed with several descriptive statistics to identify the perception of the roles of SMEs in Nigeria. The results of the study therefore revealed that the most common constraints hindering small and medium scale business growth in Nigeria are lack of financial support, poor management, corruption, lack of training and experience, poor infrastructure, insufficient profits, and low demand for product and services.

Adeoye & Bhadmus (2015), discuss on the socio-economic contributions of cottage industries to rural livelihood in Nigeria. Their study introduces cottage industries as one of the panaceas to poverty alleviation with respect to substantial growth with evidence from most countries. He itemize the effect of the decline of most cottage industries since their domain is mostly in the rural environment to include; lack of essential amenities such as electricity, pipe born water, good road networks, access to good hospitals, etc. In their studies, they x-ray that cottage industries does not only increase income of rural households but also reduce economic contributions of cottage industries to rural livelihood in Nigeria.

Rasak (2012), found that the emergence of small and medium scale enterprises (SMEs) is a major catalyst and a key success factor for the development, growth and sustenance of the Nigerian economy. Study also revealed that most government and business circles have come to recognize the importance of small and medium scale enterprises (SMEs) and have consequently agreed that their growth constitutes one of the corner stone of economic development.

Etuk, Etuk & Baghebo (2014), examined the influence of Small and Medium Scale Enterprises (SMEs) on Nigeria's Economic Development. The study revealed that Small and Medium Scaled Enterprises (SMEs) have been identified as being beneficial in alleviating poverty through wealth and job creation.

Eze & Okpala (2015), studied the quantitative analysis of the impact of small and medium scale enterprises on the growth of Nigerian economy (1993-2011).The study adopted econometric method of Ordinary least square methods (OLS), Johnson Co-integration test and error correction model (ECM).The Johansen test conducted showed the evidence of long run equilibrium relationship between small and medium scale enterprises and economic growth. The study concluded that poor government policies, on tariffs and incentives, bribery and corruption, non-existent entrepreneurial development centers and poor state of infrastructure act as impediments to the growth and development of SMEs in Nigeria.

## METHODS

**Research Design**

Basically, research work of any kind attempts to study in detail some aspect to chosen area or discipline. Hence, this Study adopts the survey research design.

**Population of the Study**

The population of the study comprises of selected registered industries in Nigeria. Due to the cumbersome nature of the study, the researcher shall purposively really on the

targeted population which will now serve as the study population. This study target population comprises of registered members of Kogi State Chamber of Commerce, Industry, Mines and Agriculture (KOCCIMA). There are about 1,286 Cottage industries belonging to manufacturing, services and Agricultural subsectors in Kogi State. The sample size was purposively determined through convenience and proximity of selected registered Cottage industries in Kogi State.

**Method of Data Collection**

Self-administered copies of questionnaire were distributed to the respondents in the selected Manufacturing/Construction and Services/Agro Allied Industries that are registered under (KOCCIMA). For administrative convenience; close-ended questionnaire was develop and divided into two sections A and B. The A part is based on individual personal data while the B part comprises of five (5) Scale Linkert. Ranging from strongly agree (5), Agree (4), Disagree (3), strongly disagree (2) and undecided (1).

A total of 340 copies of the questionnaire were administered to the selected respondents who were given a weekend to fill and return on the first working day. The researcher personally collected the completed questionnaire to ensure that every item in the questionnaire was duly responded to but 5 copies were not returned and 3 copies were discarded. Finally, 332 Questionnaire was used. These represent 98% of the total questionnaire.

**Method of Data Analysis**

The descriptive statistics as a tool was used to analyze the data collected and answer the questions formulated using SPSS version 20.

**Data Presentation and Analysis**

From the sample of copies of questionnaire distributed i.e 340 to the respondents, 335 where returned but 3 were discarded this as a result to improper filling and five (5) were not returned. This makes the analyses to be based on 332 copies of questionnaire representing 98% of the total questionnaire. With this, it is a good representation for this study to really upon.

**Table 3.2: Presentation and Interpretation of Questionnaire Administered**

| **Responses** | **Respondents** | **Percentage (%)** |
|---|---|---|
| Copies of Questionnaires Completed, Returned and useful | 332 | 97.6 |
| Copies of Questionnaires Completed, Returned but not useful | 3 | 0.88 |
| Copies of unanswered Questionnaires | 5 | 1.47 |
| **Total** | 340 | 100 |

**Source:** *Field survey, (2018).*

**Table 3.3: Summary of the Responses Obtained From the Respondents as Given Below**

| | **N** | **Minimum** | **Maximum** | **Mean** | **Std. deviation** |
|---|---|---|---|---|---|
| Employment Potential | 332 | 1.00 | 5.00 | 3.7982 | 0.93518 |
| Employment Potential | 332 | 1.00 | 5.00 | 3.5934 | 0.99562 |

| | | | | | |
|---|---|---|---|---|---|
| Local Market demand | 332 | 1.00 | 5.00 | 3.3012 | 1.12360 |
| Local Market demand | 332 | 1.00 | 5.00 | 3.7681 | 1.02998 |
| Source of foreign exchange | 332 | 1.00 | 5.00 | 3.5240 | 1.13844 |
| Source of foreign exchange | 332 | 1.00 | 5.00 | 3.5151 | 1.04423 |
| Rural Urban Migration | 332 | 1.00 | 5.00 | 3.6024 | 1.10958 |
| Rural Urban Migration | 332 | 1.00 | 5.00 | 3.6566 | 0.97220 |
| Industrial waste | 332 | 1.00 | 5.00 | 3.8584 | 0.89704 |
| Regional disparity | 332 | 1.00 | 5.00 | 3.8765 | 0.73730 |
| Burden on import | 332 | 1.00 | 5.00 | 3.8705 | 0.95429 |
| Local raw material | 332 | 1.00 | 5.00 | 4.2259 | 0.70830 |
| Valid N (Listwise) | 332 | | | | |

**Source:** *Field Survey, (2018) Computation: SPSS Ver.20*

Table 3.3 develops the summary of mean scores and standard deviations of the responses obtained from the questionnaires administered as each independent variable against dependent variable. The average level of accepting the mean or agreeing is 3.5 according to the respondents and any value below this is seen to be either neutral or disagree.

Two questions were raised each on independent variable and one each from the dependent variable as shown in the table above totalling to twelve (12) questions.

Based on the data presented and analyzed above, the researcher ascertained that there is a positive tilt in the mean scores which were above the average of 3.5 as a basis. With this, it indicates that relationship exist between economic security and the promotion of cottage industries in Kogi State.

**Discussion of Findings**

In consonance with the study specific objective which sought to X-ray the relationship between economic security and the promotion of cottage industries in Kogi State with its hypothesis which states that relationship exist between economic security and the promotion of cottage industries in Kogi State. The mean scores have its positive tilt above the average of 3.5 as a basis. This by implication means that very strong correlation exists between economic security and cottage industries.

**Conclusion**

Despite high demand in products from cottage industries, the attention on these industries is limited or being ignored especially in rural communities. Although cottage industry is not the sole panacea for poverty alleviation, it stands to reduce unemployment by creating a means for sustainable livelihood in both urban and rural communities while reducing the pace of rural dwellers deserting their traditional means of livelihood (Adeoye & Bhadmus, 2015)

Cottage industries can be harnessed and upgraded to help contribute enormously to rural livelihood and also reduce poverty. Cottage industries were identified as sustaining employment and income in the face of rising populations and threats of unemployment,

providing seasonal occupation for farmers during the less busy time of the year, contributing to equality and poverty alleviation by increasing the income of the poor and curbing the life security of Man. Therefore, neglecting the traditional technology-based rural enterprises (cottage industries) or allowing them to go extinct because of the encroachment of modern technology, is a clear threat to rural linkages and ultimately to rural development.

**Recommendations**

Based on the findings and conclusion of the study, the following recommendations were made.

i. That cottage industries should embrace diversification strategy to enable more employment in a diverse economy.
ii. That local market and regional disparity should be handled by professionals having seen that is the major organizational assets that will help in keeping the glue of other organizational resources for efficient and effective results.
iii. That Cottage businesses if properly managed will serve as catalyst for industrial and economic growth of any Nation as most successful multinational companies and host of other started as a cottage firm in their home countries.

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# A Journey of Socialistic Pattern of Society to Globalisation and then to "Aatam Nirbhar Bharat"

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**Introduction:**

According to Pt. Jawahar Lal Nehru "Indeed some kind of chart might be drawn up to indicate the close connection between the length of British rule and progressive the growth of poverty. That rule began with outright plunder and a land revenue system that extracted the uttermost farthing not only from the living but also from the dead cultivators. It was pure loot"

***Abstract:***

*After a long struggle of freedom movement ultimately the day came on 15th of August, 1947 when India got independence with a partition of the country along with a deep-rooted conflict between two communities, division of resources was not honoured by one country. The heavy influx of refugees from their own country resulted in a problem of their rehabilitation and relief. There was a shortage of food and other resources because we inherited a crippled economy with stagnant agriculture peasantry steeped in poverty. A planned programme of development was started in poverty. A planned programme of peasantry steeped in poverty. A planned programme of development was started by launching a series of five-year development was started launching a series of five-year plans under the guidance of the central planning authority (Planning Commission set up in the Year 1950) intending to set up a socialistic pattern of society based on the Nehruvian Model. As the result, the public sector gained commanding heights in the economy without proving its accountability and transparency and this led to an unprecedented foreign exchange crisis. It was a time when we moved from a period of controls and regulations to an era of economic reforms (Liberalisation + Privatisation+ Globalisation) that is the adoption of market economy and privatisation free from controls and regulations. This was observed as a period of Vasudhav Kutumbkam that is the whole world was a global village. In the second term of the Modi Government (2019-24), there has been a shift of emphasis from globalisation to a self–reliant economy that is Aatm Nirbhar Bharat (Vocal for local). Thus, our journey started from establishing a socialistic pattern of society has reached a self-reliant economy – may it be because of Covid -19 pandemic in phases and the basic problems remain to be*

*addressed. This Paper highlights the whole journey of the Indian Economy.*

***Keywords:*** *socialistic pattern of social market economy and price mechanism and self–reliant economy.*

**Introduction:** Economic growth is a function of economic factors like natural wealth, human resources, physical and human capital, organizational enterprise, technology etc. and non-economic factors like social institutions, political conditions, moral and ethical values etc. The wise words of Dr Manmohan Singh are worth to be quoted "we should not assume there is a divine destiny which will ensure India continues to flourish and prosper howsoever we mismanaged our affairs. Great nations like the Soviet Union have perished and disappeared from the surface of the earth. If the Indian polity is not well managed we ought to realize a similar danger could overtake us… I am not saying this is on the cards right away or it is inevitable but if we continue to mismanage our economy if we continue to divide our country based on religion, caste and other sectarian issues."

(An interview Dr Singh gave the BBC in 1999 – quoted from a write up "the wise word of Dr Manmohan Singh by Karan Thapar (Quoted in Daily HT 23rd of May 2021, Page 8). Hence institutions those govern the economy are very important and good governance is the result of these words when growth term is taken in broader sense, it is equal to development (Quantity + Quality) meaning by an increase GDP for a continuous and steady increase in national income and it is reflected in people's high standard of living better food and housing improved education and medical facilitlites advancement of means of transport , communication and information technology reduction in poverty , unemployment and inequalities in the distribution of income and social and political power, expansion of opportunities and awareness, empowerment of women and men also with positive outlook for gender sensitisation , social welfare and social security of the marginalised section of the society , increase in productivity and change in production functions with advancement of science and technology through research and development, sanitation, quality of life with human dignity , promotion of human skills and employability, no discrimination on the lines of caste , religion , region , gender etc. and above all sustainable development that is natural wealth is meant not only for the present generation but also for the coming generations. Hence growth is a multi-dimensional concept and it should not be judged based on a few indicators (average life expectancy, GDP growth rate etc.)

For economic growth, there are certain basic requirements known as social and economic overheads to motivate Direct Productive Activity. Private enterprises in neither willing nor capable to undertake such projects because of the high gestation period and low profitability. Such projects are therefore initiated by the govt. and when these projects are completed, direct productive activities are executed by a private enterprise.

**Planned Programme of Development**

The planning commission was set up as a central planning authority to assess the resources of the country and these resources were channelized in different sectors as per the set priorities of different sectors according to guidelines the objective was to achieve the set targets within the stipulated time frame. The planning strategy was determined in such a way that the basic objective of establishing the socialistic pattern of society is achieved as per the Nehruvian Model. The first five-year plan (1951-56) started under stress and strain because of post-war repercussions and the consequences of partition. But still, the targets

set under the plan were achieved. That is why the second five-year plan (1956-61) was formulated in an atmosphere of economic stability. Thrust was on the development of heavy and key industries in the light of the industrial policy announced by the Govt. in 1956. This plan was based on an economic model given by Prof. Mahalanobis. The third five-year plan (1961-66) started at a time when the economy had already entered the take-off stage. Target was to establish a self-reliant economy put the major constraint was the rate of growth of agricultural productions one of the limiting factors. Indo – China conflict in 1962 and the Indo-Pak war in 1965 changed the whole scene from only development to defence and development.

A planned holiday was observed by launching three annual plans (1966-69). On account of two severe drought conditions devaluation of Indian rupee on 6th June 1966, a situation of stagflation in the economy and also the bitter lessons because allies refused to supply essential equipment and raw materials as a consequence of post-war situations. Fourth Five Year (1969-74) started with two principal objectives of growth with stability and progressive achievement of self-reliance with a provision of national minimum for weaker sections of the community Fifth Five Year Plan (1974-78) started at the time when the country was facing an acute economic crisis arising out of inflationary pressures generated because of a big hike in oil prices since Sept. 1973…This plan was terminated at the end of the fourth year because of the change in Govt. at the centre.

The Janta Party's sixth five-year plan model (1980-85) was totally against the Nehru model of growth because they believed in the concept of decentralised planning. Congress again came to power in 1980 and a new draft of the sixth five-year plan (1980-85) was introduced by bringing back the Nehru Model of growth. The 7th five-year plan 1985-90 started at the time when the Indian economy attained a reasonable rate of growth of 5.4 per cent and this plan was aimed at accelerating the growth of food grains production and increasing employment opportunities.

During the 8th five-year plan 1992-95, the Narasimha Rao Govt. initiative the process of economic and financial reforms.

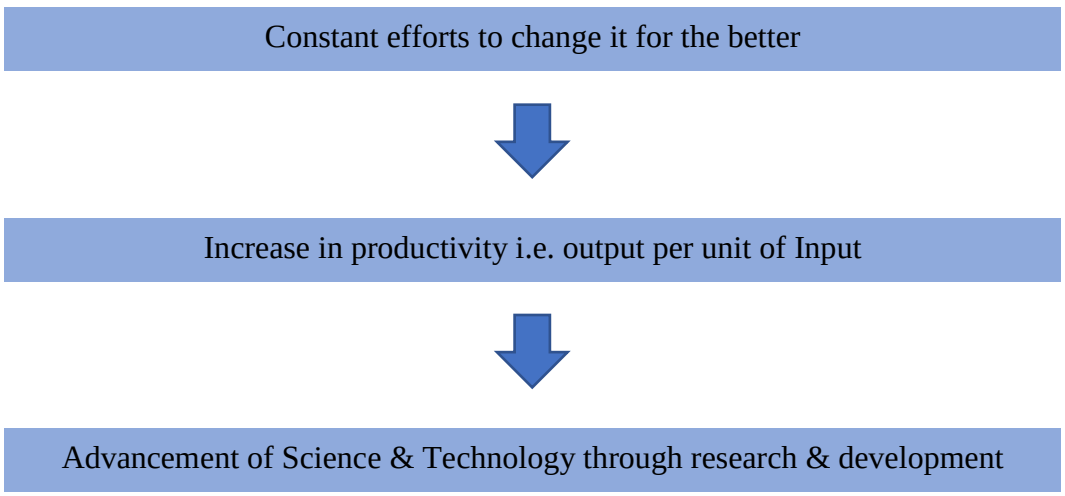
A thinking process started about accountability, viability, transparency etc. of the public sector. The draft of the 9th five-year plan was prepared under the United front govt. in March 1998. But it was modified and implemented w.e.f. April 1999 with its focus on growth with social justice and equality

10th five-year plan 2002-07 draft was prepared to address the problem of equality and social justice targets were reduction of poverty ratio by 5 percentage points by 2007. The NDC approved the approach paper of the 11th five-year plan 2007-12 entitled towards faster and more inclusive growth and directed the planning commission to prepare a detailed plan because of the deterioration of the world economy. The growth rate during 2012-13 was only 6.5- 7 %. Hence it was observed again that the GDP growth rate of 9 % during the plan period was not possible.

A new chapter started in the history of Indian polity when there was a change of the govt. at the centre in 2014 when a single political party got the absolute majority. Here there was a question mark on the existence of planning commission a revolutionary change was brought by creating a think tank in the name of NITI Aayog.


Output = f(Inputs)


**Production Function**




## Literature Review

The ultimate goal of a state is to promote human welfare in the country. In the modern age, the state works as an important agent of economic development, particularly in the underdeveloped countries like India at the time it got Independence (Characterised by low per capita income, poverty and starvation of masses, unemployment, poor money market and weak infrastructure) Simultaneously non-

economic factors like attitude to work, socio-culture factors like access to education healthcare and awareness etc. Good and efficient government, well-developed banking and credit systems awareness about the importance of planned family etc. we're missing. Hence in such economies state has to adopt a policy of interference in all the economic activities of the public, to regulate and control them. The economic problems in such economies are so complicated and important that they cannot be solved without the state's cooperation. The private enterprises highly being profit-oriented cannot entirely be held responsible for promoting human welfare by ignoring the economic activities of the individual in the society. State's participation in all economic activities is thus, essential for economic development, as also ensuring economic welfare and social justice in such countries. That is why states need economic planning to ensure the optimum utilisation of the resources of the nation. Economists believe that the economic problem of underdeveloped countries cannot be solved merely by free-market forces.

According to C P Kindleberger, "Price system is capable of producing changes at the marginal, the changes required in underdeveloped countries are structural and not marginal, the price system is inadequate to cope with the problems of underdeveloped countries.

**Research Gap-**

Classical economists believe that full employment was a normal situation in the economy and any sort of intervention in the economic affairs of an economy was considered as a positive hindrance in its smooth functioning. But the economic theory has been conditioned by environments as we recollect that. Prof. J. M. Keynes who himself was a student of Dr Marshall, came on the scene and recommended govt. intervention in the economic affairs when UK and whole Europe were facing the problem of the great depression of the thirties when there was the problem of deficiency in aggregate demand. Since the environment has been ever-changing the political views about the extent and mode of state intervention in economic activity have also been changing. Communists believe that the state is an alive and powerful instrument for the achievement of economic ends. In 1991 India move to the policy of an open economy with the least controls and regulations. Again a pandemic of a very serious nature after about 100 years, has again changed the thinking process from the philosophy of no- govt. intervention to a self–reliant economy (now country first, rest afterwards).

**Objectives:**

1. To study the three phases of Indian Economy for Reforms and then to Aatm Nirbhar Bharat.

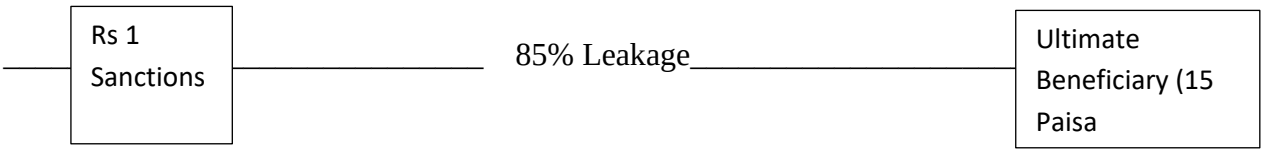
2. To analyse the change in basic indicators of Indian Economy after Covid-19 Pandemic (Period of thinking about a self–reliant economy.

Objective 1:

The Indian economy has passed through a process of crucial change. For fulfilling the objective of establishing a socialistic pattern of society, the public sector was expected to be an engine of growth started with the creation being an engine of growth started with the creation of social and economic overheads (a basic requirement for the process of planned economic growth). Reducing poverty (Garibi Hatao), inequalities and unemployment etc. have been the main targets during the fourth and fifth five years plans. Nehruvian model of growth has been the main growth strategy except for a brief period when there was a change of the Govt. at the centre. There was a big step of nationalisation of major commercial banks in 1969 and abolition of privy purses and

other privileges of erstwhile Maharajas and Nawabs. In this way, the public sector gained commanding heights in the economy. Prime Minister Rajiv Gandhi in his first broadcast to the nation in 1984 said, “The public sector has spread into too many areas where it should not be. We will be developing our public sector to undertake jobs that the private sector cannot do. But we will be opening up more to the private sector so that it can expand and the economy can grow more freely. The Principal charges against the public sector were low rate of return on capital invested, declining contribution to national saving poor capacity utilisation over staffing and bureaucratisation leading to excessive delays in decision–making process and wastage of nation scarce resources.

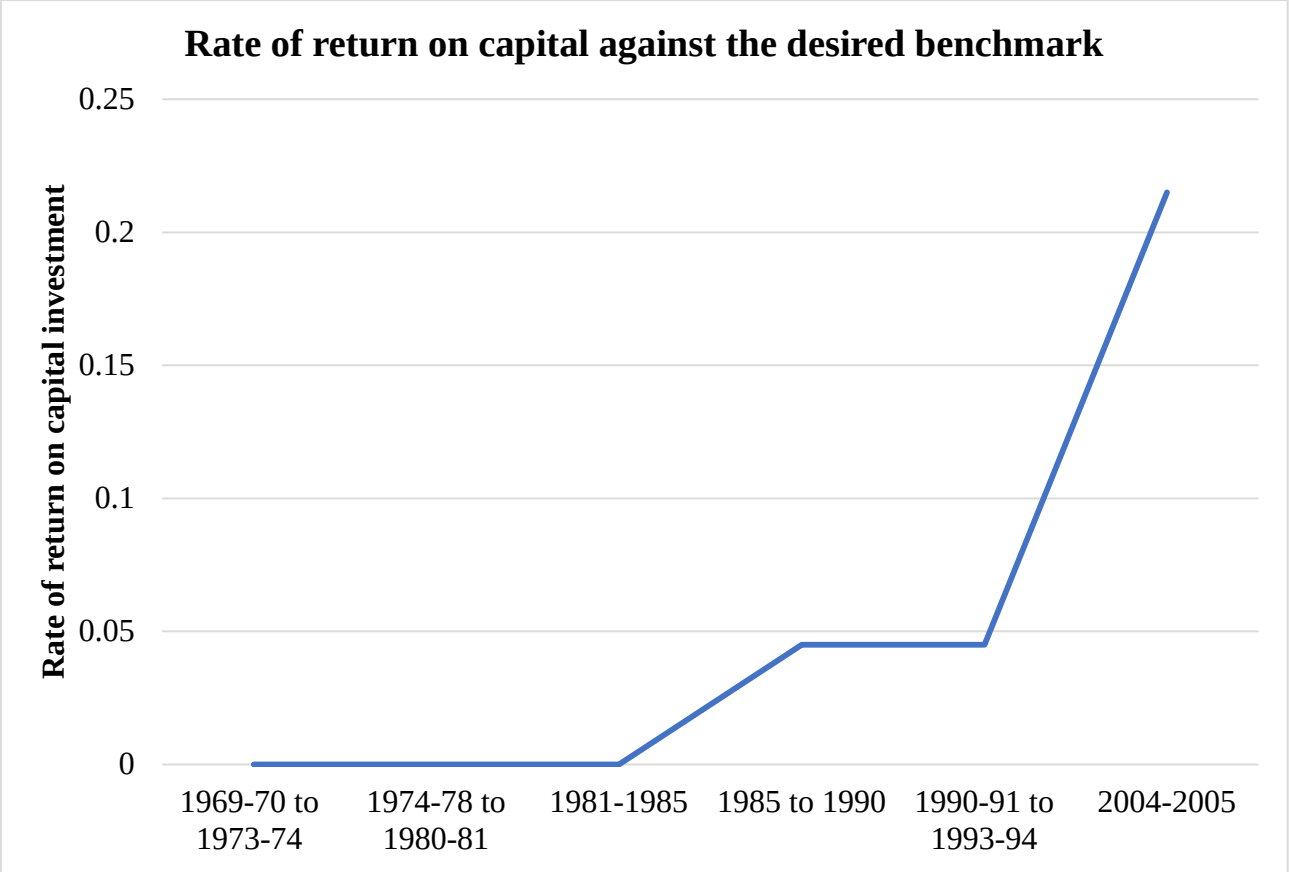
Everyone remembers our Prime Minister Rajiv Gandhi confession that pilferages and leakages were part of the system because one rupee sanctioned by the centre for the welfare of the poor, only 15 per cent reach in the hands of the ultimate beneficiary. This is the height of corruption in the system.




The table given below highlights the rate of return on capital against the desired benchmark of 12 per cent per annum

**Table 1**

| Period | rate of return on capital Investment |
|---|---|
| 1969-70 to 1973-74 | 4-6% (gross profit)<br>(That is why critics painted a black image of the public sector) |
| 1974-78 to 1980-81 | 12-13 %( as per the benchmark) |
| Fifth plan period | |
| Seventh term period | 11-12%(marginally below) |
| (1985-90) | |
| 1990-91 to 1993-94 | Do |
| 2004-05 | 21.5% |
| **Source-Different Economic Surveys (GOI)** | |




However, the economy faced a deep crisis in terms of fiscal deficit, foreign exchange reserves increase in prices of Crude oil and thus generating inflationary trends in process and consequences thereof the economy was not in a position to pay for its petroleum products imports bill even for one-week requirements. On the other hand, there were drastic changes in international economic and political situations after the collapse and disintegration of the USSR and most of the economies in the world we're approaching privatisation. New Economic Policy was introduced by the then finance minister Dr Manmohan Singh in July 1991 L+P+G = Liberalisation+ Privatisation + Globalisation.

The main features were as follows:

1) Policy of liberalisation instead of Control
2) Declining the role of the public sector and encouraging the participation of the private sector.
3) Encouraging foreign investment through globalisation.
4) Comprehensive changes in trade policy in terms of reducing the tariff rates
5) Creating a more competitive environment in the economy as a means to increase efficiency and productively
6) Rationalisation of economic policies.

1 According to Stieglitz," "Globalization is the closer integration of the countries and peoples of the world which has been brought about by the enormous reduction of lasts of transportation and Communication and the breaking down of artificial barriers to the flow of goods and services, capital knowledge and (to the least extent), people across borders (Stieglitz 2002b, Pp9) Employment

social institutions and Social well-being "International Labour Review.

2) Economic globalisation constitutes integration of national economies into the international economy through trade direct foreign investment (by corporations and multinational), short term capital flows international flow of workers and humanity generally and flaws of technology!"

Bhagwate, Jagdish (2004) In Defence of Globalisation Oxford University Press, New Delhi (P)

Economic Reforms in the form of productivity improvement absorb of modern technology and fuller utilisation of capacity was carried-Rajiv Gandhi Regime (1985-90) where the 3 AL QUA of the New Economic Policy was a greater tale for the prevail.

**Table 2**

| The growth rate of per capita income during 1860-1950 | Period rate of growth % |
|---|---|
| 1860-1885 | 1.1 |
| 1885-1905 | -0.3 |
| 1905-1925 | 1.3 |
| 1925-1950 | -0.1 |

The growth rate of per capita income

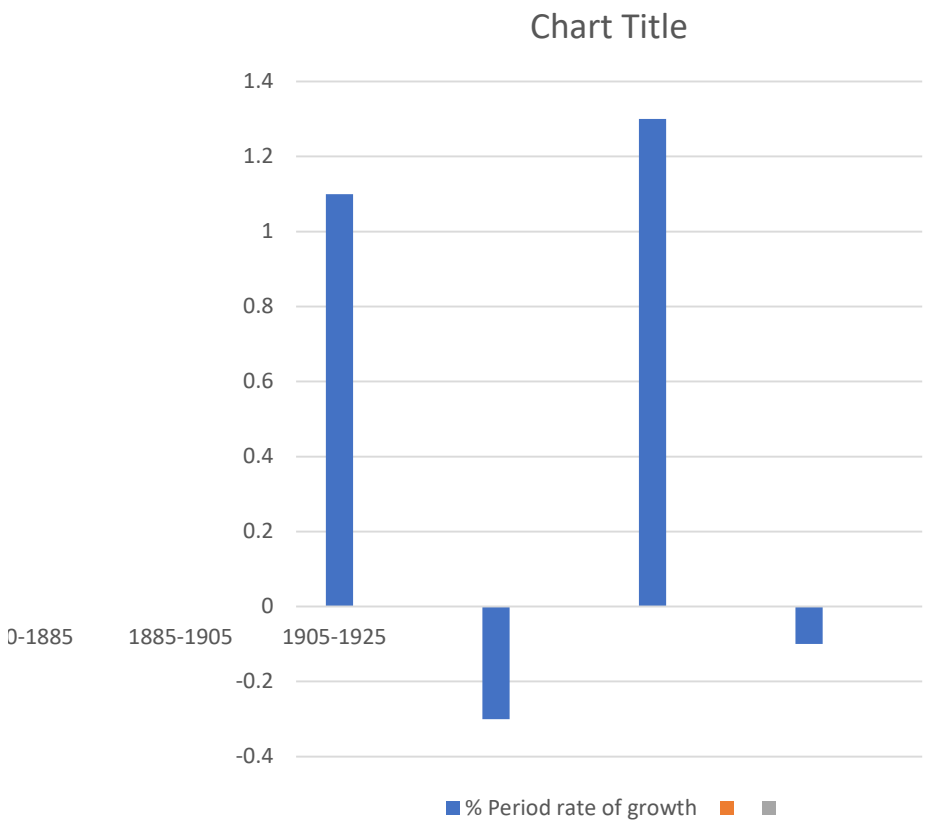
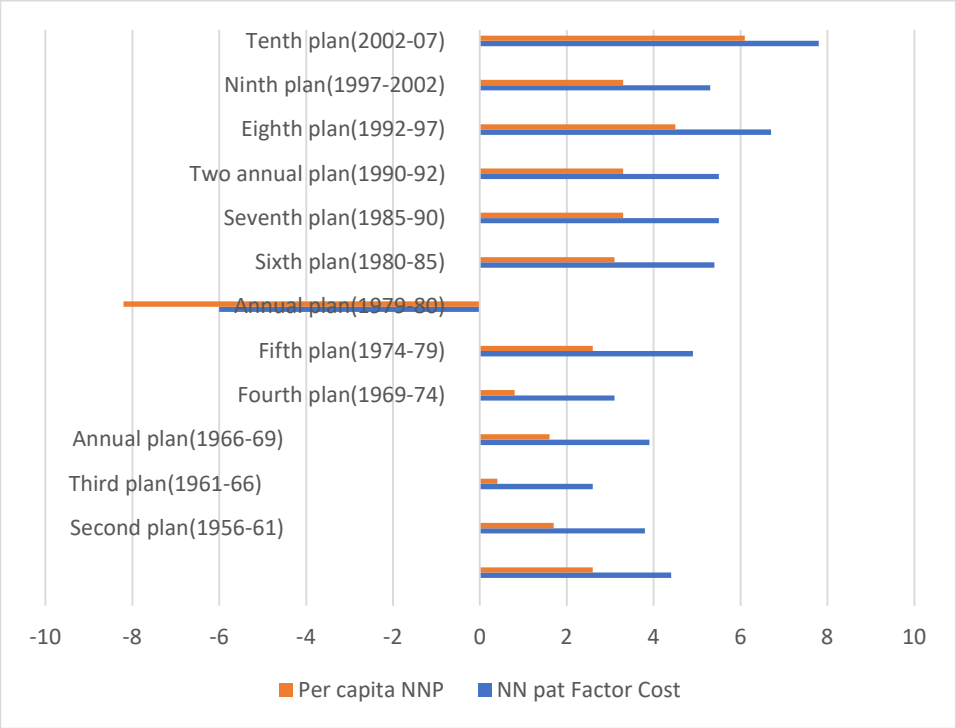


**Table 3**

The annual average growth rate in various plans

| (CSO accounts statistics economic survey 2007-08) | At 1999-00 prices | |
|---|---|---|
| Plan | NN pat Factor Cost | Per capita NNP |
| First plan(1951-56) | 4.4 | 2.6 |
| Second plan(1956-61) | 3.8 | 1.7 |
| Third plan(1961-66) | 2.6 | 0.4 |
| Annual plan(1966-69) | 3.9 | 1.6 |
| Fourth plan(1969-74) | 3.1 | 0.8 |
| Fifth plan(1974-79) | 4.9 | 2.6 |
| Annual plan(1979-80) | -6.0 | -8.2 |
| Sixth plan(1980-85) | 5.4 | 3.1 |
| Seventh plan(1985-90) | 5.5 | 3.3 |
| Two annual plan(1990-92) | 5.5 | 3.3 |
| Eighth plan(1992-97) | 6.7 | 4.5 |
| Ninth plan(1997-2002) | 5.3 | 3.3 |
| Tenth plan(2002-07) | 7.8 | 6.1 |




[Table 2(a)] depicts a picture of colonial rule when India could not show a substantial rate of growth in per Capita income because their policies were formulated in such a manner to serve the interests.

(Table 2(b)] clearly shows that during the programme of planned economic development India prepared a clear, Cut road map after breaking the vicious circles of poverty and backwardness to move on the road leading to the overall development.

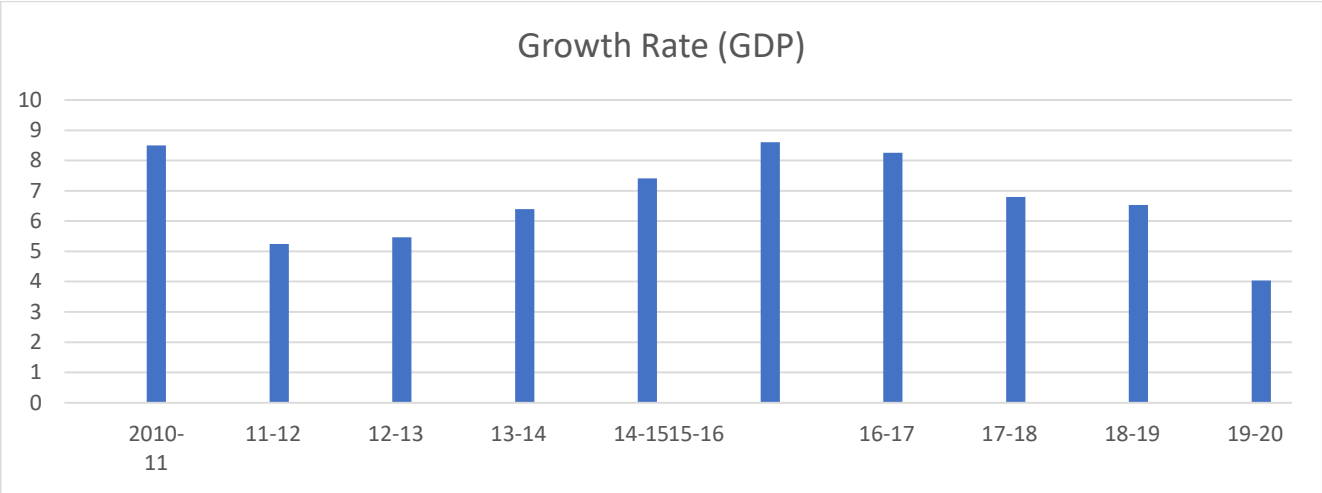
[Table 3] Confirms that the journey of the growth process has not been very smooth in India. If we look at the graphic presentation of the annual average growth take in NNP at factor cost (known as national income) and per capita national income, there are Cyclical fluctuations along with a negative growth rate in the year 1979-80. But it goes without saying that after the adoption of the new economic policy (regime of least regulations and controls in the economy in the form of privatisation and working of market focus there has been a significant positive change in the national economy.

**Table 4**

annual GDP growth (percentage points)

| Year | Growth Rate (GDP) |
|---|---|
| 2010-11 | 8.5 |
| 11-12 | 5.24 |
| 12-13 | 5.46 |
| 13-14 | 6.39 |
| 14-15 | 7.41 |
| 15-16 | 8.00 |
| 16-17 | 8.26 |
| 17-18 | 6.80 |
| 18-19 | 6.53 |
| 19-20 | 4.04 |

These two years gave us a sign to put India in the category of the fastest developing economy and to put an ambitious target of making the Indian economy to be a $5 trillion economy by 2024 to 25



**Objective 2-[A Self-reliant [economy ]-** In Aug 2020, the govt. Started a self, Reliant movement that is Aatm Nirbhar Bharat Abhiyan to give a boost to indigenisation with active public and private partnership for fulfilling the twin objectives of self-reliance and promoting exports, (the old Concepts of export promotion and import substitution with the development of skills and technology]. We may take a shift of emphasis on the integration of national economies into one global economy to a self-reliant economy Policies formulation and different movements are always based on the business energy environment and other factors too. It is necessary to examine the key indicators during Fy-21 and the estimates for FY-22.

**Rate of GDP Growth during 2020-3 and the estimates for 2021-22-** During the fiscal year 2020-21, the Country had to face a harsh lockdown of 68 days (we may subtract 7 days of the fiscal year 2019-20 from March 25, 2020, to March 31, 2020, after getting the first Wave of Covid-19 pandemic and subsequent restrictions and regulations along with the migration of millions of migrant labour face to their native places that too on foot or cycle with their children in the leap & luggage on their heads. Economic activities came to an end and much of the damage was wrought in the first two quarters.

**Table-5**

| Financial Year 2020-21 | GDP Growth Rate |
|---|---|
| Q1 | -24.4 |
| Q2 | -7.4 |
| Q3 | +0.5 |
| Q4 | +1.6 |

Overall contraction= -7.3% against the estimate of 8 percent.

RBI expects because of the Second wave of Covid-19 pandemic during the financial Year 2021-22] to have only & Small 1 percentage point impact on the economy because it has projected that GDP growth would be faster in Q3 and 04.

**Table 6**

| Real GDP growth projection 2021-22 | | |
|---|---|---|
| | April 2021 | June 2021 |
| Q1 | 26.2 | 18.5 |
| Q2 | 8.3 | 7.9 |
| Q3 | 5.4 | 7.2 |
| Q4 | 6.2 | 8.6 |

Percentage point- previous forecast = 10.5%

Now reversed=9.5%

The figure of Q1 is surprising but since the growth rate has negative in 2020-21, that is why it is not a surprising figure RBI's monetary policy kept the policy rate unchanged (in their meeting held on 4th of June 2021) at 4% for the sixth time in a Row and indicated that it would continue to do whatever is needed to support growth (normally interest rate is increased when wholesale prices cross a moderate limit). The RBI's confidence index fell to a record Lew with the second wave of employment. The current outlook on the economy end of Covid - 19 affecting people's current Situation Index (CSI) and the Future Expectations index FE9) both fell to an all-time low of 48.5 and 96.4 with the latest round of the Survey (a year ago they were 63.7 and 97.3]. It is bound to affect aggregate demand in the economy [Dally HT, June 5, 2021, p1}

**Inequality and poverty and unemployment-** have increased because contract intensive services have been badly hit. Corporate profits have surged because companies have been successful in cutting down on material and

labour costs. India's per capita annual income 2019-20 was as rupee 1, 29,968 (as per data published on 7-1-2021). Average is considered of the single numerical representative figure of the whole distribution, but this figure does not become a representative figure if there are large variations in the data set for example 80% of.

India's salaried workers earn less than Rs. 2000 per month (Roshan Kishore How rich can aid economic recovery post-pandemic, Daily HT, Dec 28, 2020, Page 11) Azim Prem Ji University's latest state of working India report, which was released on May 5, 2021, makes a convincing case that the Pandemic has agented the poor than the rich on jobs and incomes. According to the report, 230 million people fell below the income poverty line (a minimum wage of Rs. 375 per day) due to the pandemic otherwise 50 million people would have come above the poverty line. (That is an addition of 280 million people in the category of the poor) The cumulative income loss was higher among poorer households( 27% for the bottom10%, loss of income was a loss of consumption) a hunger watch survey points out that in Oct 2020, one in three respondents reported skipping meals (sometimes or often) and 71% of the households reported a worsening in the nutritional quality of their food intake.

At least 15.33 million Indians lost their jobs in May 2021 erasing gains achieved since July 2020, a situation that may adversely affect consumer spending. The number of people employed fell to 375.45 million in May 2021 from 390.79 million in April 2021. India's urban unemployment rate has soared to almost 18% the highest in a year. The urban job lessens rate was 17.88 %. In the week ended May 30 three percentage points more than a fortnight ago when the unemployment rate was 14.71 %. The Labour force participation rate dropped to 35.69%. The week ended May 30 against 37% in the week ended May 16, 2021. Rural unemployment fell four percentage points in the week ended May 30, from a fortnight ago. The national unemployment rate stands at 12.15 %. High inflation is putting a squeeze on rural incomes. Households in rural areas were more concerned about the rise in health expenditure because this concerned about the rise in health expenditure. After all, this time 200 waves affected rural India. Hence rural demand remain muted.

3. Sustainable development goals: NITI Aayog 's sustainable development goals (SDG) index was released on June 03, 2021. Overall India's score in the index- which evaluated how the country and its regions have been performing on social, economic and environmental parameters. The composite score for India improved from 60 in 2019-20 to 66 in 2021. This indicates that the country overall has progressed forward in its journey towards achieving the sustainable development goals (all members of the UN 2030 agenda for sustainable development at the heart of which were 17 SDGs (169 targets) National average being 66, where Chandigarh scored 79 and Kerala 75 and Bihar 52. Again there are variations. This shows that India is performing well in the composite development process.

India's rank has slipped from two places from last year to 117 on the 175 on the sustainable development goals adopted at the part of 2013 agenda by 193 UN members states in 2015 as per a new report released by the press trust of India on June 06, 2021.

4. Import of some items banned: the Central Govt. on 31st May 2021 notified a second list banning 108 defence items that cannot be imported. This is in continuation of a list of banning 101 items in August 2020. India's trade deficit narrowed to an eight-month low in May 2021 at 6.3 billion $ as rising

external demand kept exports tickling and the pandemic caused imports to dip…….
(Low demand for oil and gold) [2]

5. A D Shock – a short term problem
   Aggregate Demand = C+I+G+(X-M)
   I. Consumption Expenditures- Decreasing because the persons whose prosperity to consume is high have either lost their jobs or there is a reduction in their income because of an increase in health expenditure.
   II. Private Investment – can increase only when the business environment is optimistic and their machines and plants have excess capacity.
   III. Govt. purchase of goods & services- Govt. has already for used on building our health care.

India's rank has slipped by two places from last year to 117 on the 175 sustainable development goals adopted as a part of the 2030 agenda by 193. United Nations member states in 2015, as per a new report released by the Press Trust of India on June 06, 2021. It reminds the authors of the Keynesian strategy to overcome the short-run problem –Flow diagram explains.

**Increase in Net Investment through public expenditure for giving momentum to the schemes like MANREGA particularly to those who have lost their jobs and also belong to the most disadvantageous section of the society – Benchmark minimum wage of Rs. 375/-.**

↓

**Volume – of Employment**

↓

**Purchasing Power**

↓

**Consumption Demand**

↓

**AD**

↓

**Induced Investment** ↑

↓

**Income Employment Output** ↑

↓

**Multiplier and Accelerator effect**
**(Concept given by Prof. Samuelson in the name of super multiplier X)**

**Conclusion:**

1. During the programme of planned economic development, India developed a road –map along with the social and economic overheads to motivate the Direct Productive Activities but the public sector gained commanding heights in the economy questioning viability accountability and transparency in the system.
2. Economic reforms gave us confidence for taking an ambitious target of making India a five trillion economy by 2024- 25 because the Indian economy gained the credit of the fastest developing economy.
3. The idea of a self-reliant economy can only be achieved when non-oil and non – gold import demand is also slashed. India develops its competitive strength in the global trade market.

**Suggestions:**

1. After having the two severe waves of Covid -19 pandemic and subsequent problems of beds, hospitals, medicines, O2, ventilators, vaccines etc. we have to develop our health care network etc. throughout the country (even in rural areas)
2. NEP (2020) has provisions on regular formative assessments, designed to test conceptual clarity, analytical abilities and competence in terms of critical thinking and development of soft skills therefore, its implementation is necessary for developing human capital as well as employability to reap the demographic dividend.
3. Several large and mid-sized commercial banks have aggressively written off large chunks of legacy bad loans in Q4 (2021-21) the quantum of loans written in Q4 (2020-21). The quantum of loans written off by tries the eight banks stood at Rs. 32852 Crore higher off by the eight banks stood at Rs. 32852 Crore higher than Rs. 23,894 Crore recovered by the same lenders in Q4 (Daily HT June 07, 2021 Page 11). This is a sort of devaluation of Indian ethical and moral values.
4. Environment degradation and pollution of all kinds have to be checked to keep nature and wealth intact.
5. Population planning has to be taken up seriously and it should be adopted religiously without any consideration of caste, creed, religion, region etc.

**Limitations:**

1. All analyses are based on certain assumptions, they may or may not hold good.
2. The question of the reliability of facts and figures has also come as a debatable issue.

Scope of further research

There are multi-dimensions of this topic, hence the scope is vast for further research work.

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# Factors Influencing Employee Engagement in PWD Department of Mysuru

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***Abstract***
*In this paper government sector employees are taken for analyzing the concept of employee engagement. The Karnataka Public Works Department employees of Mysuru branch are subjects for the study. In this paper factors influencing employee engagement in Karnataka Public Works Department is taken for the study. The SPSS software is used for data analysis. Fifty convenient samples were taken for the study. Threety seven attribute were taken for analysis. Only nine factors have strong influence on employee engagement.*

***Key words****: Employee engagement, Compensation, Training and development, Work resources, Communication*

When we talk about the government sector. We look at the employees working in government organization with different expectations. The functioning of the employees is more subjected to critical view. When we talk about the employees all the employees go through the same amount of pain, stress, anxiety, sadness and happiness. To understand about the employee engagement in the paper The Karnataka Public Works Department, Mysuru is taken. The Karnataka government agency in charge of the public works in the state of Karnataka, India. Founded: 1856 Minister responsible: Govind M. Karjol, Public Works Department.

The Public Works Department was a government department that was responsible for buildings, roads and irrigation etc. Public Works in India, such as the construction of roads, water tank, etc..

An apex organisation under the Central Government is entrusted with the task of formulating and administering, in consultation with other Central Ministries/Departments, State Governments/UT Administrations, organizations and individuals, policies for Road Transport, National Highways and Transport Research with a view to increasing the mobility and efficiency of the road transport system in the country. The Ministry has two wings: Roads wing and Transport wing.

**Review of Literature:**

*Jayant Gaurav* (2020), In this paper the author has talked about how to improve employee engagement when social distancing is imposed. For the corporate office they need to join online course, language training encouraging them for hobby training, Yoga/fitness exercise and supporting the employees living in village areas, CSR activities, food supplies, delivering essentials giving them basic needs.
*Mitika Nangia* et.al (2020),The author has taken the volatile, uncertain complex and ambiguous scale. Which was introduced by

U.S people in 1980. They have used both primary and secondary data to explain about employee engagement and talent management in IT industry. Providing up skilling platforms, taking Employee life cycle virtual, virtual leader support programs will lead to employee engagement.

*Meenakshi Kaushik et.al* (2020), the author opines that employee connection special social gathering became problem during lockdown. The physical and vocal relationship and friendship were lots during lockdown time. It is a conceptual paper the author has used secondary data to discuss the positive and negative impacts of employee relationship and engagement.

*Kevin M. Kniffin et.al.* (2020), It is a working paper, were the authors have highlighted the changing needs of employees during covid 19. The impact of the working from home, virtual teams, unemployment and mental well-being on a gender, family status, personality, and cultural are studied. They suggest that based on above mentioned parameters employees need to be given flexibility to increase employee engagement.

*Annamarie et al. (2016),* the engagement crises has spread worldwide. To increase employee engagement, assimilate engagement into the company's human capital strategy. Using scientific method to measure employee engagement, giving more priority to present day requirements and integrating the future with engagement initiatives are means to improve engagement.

**Statement of the Problem**

All the organization has the employees. But what factors keep employees engaged in the job for a long time is clearly unknown to most of the organization. therefore an attempt has been made to understand the factors influencing employee engagement in Public Works Department of Karnataka Mysuru district.

**Objectives of the study**

To identify the factors influencing employee engagement.

**RESEARCH METHODS**

The need of the study was to identify employee engagement, quantify the connection between variables. Both qualitative and quantitative method was used in the paper.

Dependent variable: Employee engagement.

Independent variable: Thirty seven attributes were taken into studies

Data collection method: Both primary and secondary data are used in the paper.

**RESEARCH DESIGN**

The research design used in the paper is descriptive, using the survey method. Descriptive research accurately and systematically describes the characteristics or behaviour of an observed phenomenon or a particular population

**SAMPLE DESIGN**

Non-parametric. That is convenient sampling was used for the study.

**SAMPLING UNIT**

PWD employees in Mysuru were sampling units used in this paper.

**SAMPLE SIZE**

Fifty employees: PWD employees of Mysore were chosen for the study

The Cronbach's Alpha Criterion was applied to test the reliability of the questionnaire. The value determined was 0.962 proving the reliability of the tool.

Table-1

| Total Variance Explained | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Component | Initial Eigenvalues | | | Extraction Sums of Squared Loadings | | | Rotation Sums of Squared Loadings | | |
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1 | 12.892 | 34.844 | 34.844 | 12.892 | 34.844 | 34.844 | 6.695 | 18.095 | 18.095 |
| 2 | 5.089 | 13.755 | 48.600 | 5.089 | 13.755 | 48.600 | 4.878 | 13.185 | 31.279 |
| 3 | 3.949 | 10.673 | 59.273 | 3.949 | 10.673 | 59.273 | 4.665 | 12.609 | 43.888 |
| 4 | 3.205 | 8.662 | 67.934 | 3.205 | 8.662 | 67.934 | 4.308 | 11.643 | 55.531 |
| 5 | 2.929 | 7.917 | 75.852 | 2.929 | 7.917 | 75.852 | 4.183 | 11.304 | 66.835 |
| 6 | 1.873 | 5.062 | 80.913 | 1.873 | 5.062 | 80.913 | 2.977 | 8.047 | 74.881 |
| 7 | 1.292 | 3.492 | 84.405 | 1.292 | 3.492 | 84.405 | 2.466 | 6.665 | 81.546 |
| 8 | 1.210 | 3.272 | 87.677 | 1.210 | 3.272 | 87.677 | 1.746 | 4.718 | 86.264 |
| 9 | 1.019 | 2.754 | 90.431 | 1.019 | 2.754 | 90.431 | 1.542 | 4.167 | 90.431 |
| 10 | .915 | 2.472 | 92.903 | | | | | | |
| 11 | .735 | 1.988 | 94.891 | | | | | | |
| 12 | .637 | 1.721 | 96.612 | | | | | | |
| 13 | .494 | 1.335 | 97.947 | | | | | | |
| 14 | .281 | .760 | 98.707 | | | | | | |
| 15 | .219 | .591 | 99.298 | | | | | | |
| 16 | .171 | .461 | 99.759 | | | | | | |
| 17 | .076 | .204 | 99.963 | | | | | | |
| 18 | .014 | .037 | 100.000 | | | | | | |
| 19 | 1.798E-15 | 4.858E-15 | 100.000 | | | | | | |
| 20 | 9.832E-16 | 2.657E-15 | 100.000 | | | | | | |
| 21 | 6.402E-16 | 1.730E-15 | 100.000 | | | | | | |
| 22 | 4.076E-16 | 1.102E-15 | 100.000 | | | | | | |
| 23 | 3.380E-16 | 9.134E-16 | 100.000 | | | | | | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 24 | 1.442E-16 | 3.897E-16 | 100.000 | | | | | | |
| 25 | 1.110E-16 | 3.001E-16 | 100.000 | | | | | | |
| 26 | -3.087E-17 | -8.342E-17 | 100.000 | | | | | | |
| 27 | -1.448E-16 | -3.914E-16 | 100.000 | | | | | | |
| 28 | -1.877E-16 | -5.073E-16 | 100.000 | | | | | | |
| 29 | -3.784E-16 | -1.023E-15 | 100.000 | | | | | | |
| 30 | -3.937E-16 | -1.064E-15 | 100.000 | | | | | | |
| 31 | -6.542E-16 | -1.768E-15 | 100.000 | | | | | | |
| 32 | -8.160E-16 | -2.205E-15 | 100.000 | | | | | | |
| 33 | -8.649E-16 | -2.338E-15 | 100.000 | | | | | | |
| 34 | -1.033E-15 | -2.791E-15 | 100.000 | | | | | | |
| 35 | -1.109E-15 | -2.997E-15 | 100.000 | | | | | | |
| 36 | -1.352E-15 | -3.655E-15 | 100.000 | | | | | | |
| 37 | -1.943E-15 | -5.251E-15 | 100.000 | | | | | | |
| Extraction Method: Principal Component Analysis. | | | | | | | | | |

The Table 1 shows the total variance between the components. Component Analysis table shows the factors which strongly influence employee engagement. Among the 37 items taken, 9 factors were extracted which have Eigen value of more than 1. The total variance explained by 9 factors was 90.43%.

Factors influencing the employee engagement.

1. Compensation
2. Training and development
3. Work resources
4. Communication
5. Quality of work life balance
6. Supervisor
7. Decision making
8. Feedback
9. Autonomy

Compensation is the basic and most needed factor for employee .Both the public and private sectors employees need to focus on compensation management to keep the employees engaged.

Training and development will be the second aspects .Soon after the recruitment employee look for good amount of training and development. When we are living in 21 century it is very much essential that employees are given the technology driven training and development program. Were they are able to balance body and mind.

Work equipment changes take place very fast equipping the employees with required work equipment will be the need of the hour. Most of the time in government organization change process take place very slowly

Communication: the communication channel is most essential for public sector organization were bureaucracy is barrier for communication

Work life balance: Both men and women need work life balance in the job. Women encounter the challenge when doing Work life balance
Supervisor: employee engagement will be high when you have a good coordination between supervisor and employees

Decision: the employees of government sector organization are given very less opportunity in participation of decision making

Feedback: the positive feedback will always are like a helping hand for employees in the organization.

Autonomy: in most of the government organization employees have lots of pressure from the political parties. So less amount of autonomy is found .If the employees are less pressurized then the employees engagement will increased.

## Conclusion

We see that Public Works Department has been in Indian government from the long time. For the well-fare of public. Most of the time we see that public sector PWD employees has to change and adopt according to the government, political parties leaders, policies and changing politicians. The changes take place very slowly and sometimes work progress like transfer, promotion need certain amount of bribe. The file movement is also very slow. So concept of employee engagement must be connected with the nine factors like Compensation, Training and development, Work resources, Communication, Quality of work life balance, Supervisor, Decision making, Feedback and Autonomy in Karnataka Public Works Department which help the employees to more focus on employee engagement.

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# Rationality of Indian Investors amid Uncertain Times during Covid-19

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***Abstract***
*The present paper aims to analyze the investment decision-making through investor sentiments influenced by three latent variables namely, herding behavior, market factors, and best game in town factors during the lockdown period (March 25, 2020 to May 31, 2020) announced due to COVID-19 in India. A total of 216 people responded to the structured questionnaire floated on various platforms. Structure equation modeling (SEM) has been applied to discern the formulated objective using SPSS and AMOS software. The results were startling as it portrays an Indian investor to be rational in the times of crisis as it is found that investors gave an upper hand to the fundamentals of the company while investing rather than their own sentiments.*

*A gradual rather than a swerved change in the investors' perception could be observed which is in the betterment of the economy as a whole. Further, overreaction to the news pertaining to the uncertain events is prevented as the investors' hold their water in the upheaval situation. This study could be of use to the financial advisors for understanding the new behavior of an Indian investor in the times of pandemic. This makes the role of the investors' bigger as they safeguard the movement of stock markets and avert the stock market doom.*

***Keywords:*** *Investor sentiment, Investor decision making, COVID-19.*

## 1. Introduction

Stock markets are sensitive to the market information and this can be witnessed in the trading patterns of the investors. Unplanned occasions in the financial markets rush the adrenaline among investors. Individuals are unable to reap the benefits of diversification with the integration of financial markets and as a result, their risk betas and returns are constant in various capital markets. Sentiments play a vital role in deciding the fate of stock markets as the moment analysts get an inkling of some unusual event to strike the economy, waves of sentiments dictate the market returns. Economic repercussions of such an event or stock market crash depend more on the response of the market players rather than on the crash itself. In some instances, the overreaction to news is such that regulatory

bodies are forced to put a circuit breaker in the stock exchange, whether an upper circuit or lower circuit. A circuit breaker is a halt in trading at the stock exchanges to make people rethink the approach they adopted while trading. In other words, to calm down the overreaction of the people towards the market due to which the stock market either falls dramatically or surges unexpectedly. Apart from the fundamental and technical analysis in determining the share prices, investor's sentiment and behavior play a crucial role in the movement of stock prices.

Indian bourses have been witnessing crises for a long time which had severely impacted the sentiments and perceptions of investors. If we go down in history, crises like the Satyam scam case, dot cum bubble, financial crisis, etc. have shaken the confidence of market players. Covid-19 and its repercussions will be marked as another unusual drastic event in the history. The government of India announced a complete lockdown on March 25, 2020, due to the widespread deadly coronavirus in India. A sudden stoppage of work in all the areas of industries could be discerned. This massive step triggered a downfall of all the macroeconomic variables used to decipher the performance of any country. It was startling to observe a mammoth net outflow of foreign institutional investment in March 2020 amounting to INR 61,973 crores[1] and an approximately equivalent net inflow of domestic institutional investors in the same month. The figures are consistent with the home bias hypothesis and the intentions with which institutional investors enter a country. Domestic investors invest for a long-term purpose while foreign investors have a myopic view which leads them to exit the market on unexpected news. Often it is noticed that alien investors withdraw their money from the host country capital markets which is consistent with the home bias hypothesis (Ke, Ng, and Wang, 2010)

With the backdrop of the role of investors' sentiment in the capital market, our study focuses on understanding the investor's decision-making through investors' sentiment which is influenced by herding behavior factors, market factors, and best game in town factors during the lockdown period.

## 2. Literature Review

In the recent past, behavioral finance has occupied the position of an important determinant in influencing the stock market returns. Shiller (2003) has reported his discontent over the traditional efficient market hypothesis (EMH) given by Fama (1970) and supported by Samuelson (1965) and Malkier (2003). Behavioral finance filled the void created in the financial markets originated from the concepts of EMH.

### 2.1 Investor sentiments during unusual events

Loewenstein (2001) observed that investment decision making of an investor is largely influenced by the positive or negative waves of perception. Baker and Wurgler (2007) have adopted a top-down approach for understanding the sentiments of investors in the stock market. They found that the most affected stocks are of low-capitalization, growth, and younger companies. Ionescu (2009) is consistent with the finding that individuals tend to mimic each other during the crisis and fear and greed are the driving forces behind it. Zouaoui et al. (2011) analyzed that sentiments bear a positive and significant impact on the likelihood of happening of crisis. This phenomenon is prominent in the countries where behavioral biases like herding and overconfidence persist. Hoffman et al. (2013)

[1] Source: FPI Net Investment Details, March 2020, NSDL website.

have analyzed investor perception during the sub-prime mortgage crisis and found that investors actively trade on the bourses. In addition to this, it was observed that risk tolerance and return expectations decreased while risk perceptions increased during the crisis which is in line with rational investor behavior. Labroo (2013) researched to examine the importance of sentiments in the Indian stock market. He found that major events like the Satyam scam case, terror attacks, and financial crisis significantly impacts investor sentiment.

Naik and Padhi (2015) traverse the relationship between investor sentiment and stock returns in the Indian bourses. They found bi-directional granger causality between excess returns in the stock market and investor sentiment. Wanjau (2018) concludes that market and individual factors serve a positive and significant association with investor sentiment. Fallahgoul (2020) documents the decrease in investor sentiment amid the outbreak of coronavirus through analyzing messages posted on StockTwits. Also, the healthcare sector and the financial sector experienced collective positive and negative sentiments respectively. Giglio et al. (2020) observed that individuals predicted a sharp decline in the market index in the short-run following the crash. But their perceptions were largely unchanged for the market index in the long-run. Bansal (2020) examines the biases of behavioral finance during the coronavirus and found that people are employing the information at its face value which is ironic as individuals need to be most cautious at the time of any crisis.

## 2.2 Factors influencing investor sentiment

The psychological and emotional factors behind the investor sentiments drive the trading behaviors which affect the stock market returns (P.H. & Uchil 2019). They observed that market factors highly influence the investor sentiment following herding behavior and awareness via media. Sentiment refers to the beliefs and perceptions held by investors to invest in a particular security (Sindhu et al. 2014). Individuals have a propensity to follow informed traders during periods of precariousness. (Qin, 2012; Chang et al. 2020; Hirshleifer and Hong Teoh, 2003). The sagacious behavior of individuals is documented in the classical theory of finance whilst the absurd behavior of individuals is reported by behavioral finance (Bennet and Selvam, 2011). The same is supported by Veira and Pereira (2015) who concluded that investors swerve from rationality to irrationality of choices in the stock market. Patterson and Sharma (2007) analyzed the behavior depicted by stock investors and concluded that herding is a tendency wherein investors follow a group of people while ignoring their private information or news. This means that they underestimate their private information and follow a herd. Furthermore, Hwang and Salmon (2009) established a significant association between herding behavior and sentiments prevailing in the market.

Additionally, Ayuko (2015) found that investors follow wealthy people or a large herd of people. Al-Shboul (2012) has examined the herding behavior of Australian investors and found that they follow the trading patterns of investors belonging to developed countries. Also, he found that usually, investors herd during the market downturn and while selling the stocks. Macroeconomic factors play a crucial role in influencing investor sentiment. Factors like interest rates, GDP, inflation rate, etc. are some of the economic factors driving the sentiments and perhaps the investment decisions of an individual in the stock market. This is supported by many researchers for example; Protopapadakis (2002), Pandey and Sehgal (2016), Bennet et al. (2012), Bhar and

Malliaris (2011), Alam and Hassan (2003), and Gupta and Reid (2013).

## 3. Research Methodology

This study aims to analyze the sentiments running among the investors during the period of lockdown in the Indian bourses. The time frame under the study spans from the starting of the lockdown period, i.e., March 25, 2020 to May 31, 2020, which is the end date of nationwide complete lockdown. The methodology followed in the present study was to investigate the investors' decision making through investor's sentiment which is impacted by various other factors like market factors, herding behavior, and best game in town factors. Market factors indicate the macroeconomic variables describing the position of the country; herding behavior is the behavior adopted by an investor after getting influenced by the group behavior. Whereas, best game in town factors indicate that stock market is the only profitable investing platform. Structured questionnaires were floated on various platforms like Facebook, LinkedIn, investor groups formed on Telegram and Facebook, and convenience sampling was also adopted to collect the data. A total of 216 people responded to the survey out of which 131 invested in the Indian stock market during the lockdown period. The two major reasons given by the people for not investing during the lockdown period are that they don't have adequate market information and they wanted to save the money instead of investing followed by uncertain returns in the stock market. According to the Securities and Exchange Board of India, investor participation has risen about 54% higher than the last year amid the challenging times.

The collected data were analyzed through SPSS and AMOS software. Structured equation modeling was adopted in the present study. Kaiser-Meyer-Olkin (KMO) and Bartlett's test reported a value of .765 which is above 0.5 as suggested by Malhotra and Dash (2011). This indicates that the criteria of sample adequacy have been met in the present study. Further, all the factors have an eigenvalue greater than 1.

## 4. Data and Analysis

The underlying theory and prior literature are guiding the principles of analyzing the association between investors' sentiment and investors' decision making. Demographic factors and behavioral factors have been used to decipher the sentiments among investors' during the complete closure of India. 80.2% of people preferred to invest in the National stock exchange (NSE) followed by 19.1% of people investing in the Bombay stock exchange (BSE). Further, 67.2% of people invested in companies with large market capitalization followed by companies having small market capitalization with good growth prospects and companies followed by reputed institutional investors. Also, highly demanded sectors during the lockdown period were analyzed. The most demanded sector was pharmaceuticals followed by consumer durables, banking and insurance, and information and technology respectively. Further, it was observed that private-sector employees were the most interested investor segment for investing in the Indian bourses followed by business people and professionals.

Three latent variables have been used as the behavioral factors to estimate the investor decision making through investor sentiments. Four indicators i.e., interest rate (MF1), exchange rate (MF2), inflation (MF3), and liquidity (MF4) are used to measure market factors (Abdullah & Hayworth, 1993; Bulmash & Trivoli, 1991; Sehgal et al., 2009); Five indicators i.e., everyone else is investing (HB1), getting rich quick philosophy (HB2), stories of successful investors (HB3), institutional trading pattern (HB4), and media coverage of the stock (HB5) are used to

measure herding behavior (Singhvi, 2001; E. Bennet et al., 2012); and two indicators i.e., no other best alternative to invest (BG1) and uncertain returns are higher than certain returns (BG2) are used to measure the best game in town factors (E. Bennet et al., 2012; Singhvi, 2001). All the indicators were measured on a five-point rating Likert Scale. Investors' decision-making is also a latent variable measured by three indicators namely did the investors trade or not (DM1), were the investors' net buyers or net sellers (DM2), and did the investors' followed their sentiments or not (DM3).

Furthermore, skewness and kurtosis indicate that the data represents normal distribution as kurtosis is below the threshold limit of 2.2 (Sposito et al. 1983) and skewness ranges between +1 and -1.

### 4.1 Structure equation model

Based on prior literature, investor sentiment has been measured by investor optimism (E. Bennet et al., 2012; Singhvi, 2001; Shiller, 1991). The model anticipates that investors' decision making is impacted by investors' sentiment which in turn is influenced by market factors (MF), herding behavior (HB), and the best game in town (BG) factors.

Table 1 reports the values for construct validity and composite reliability. Cronbach's $\alpha$ has been computed for all the four variables namely, MF, HB, BG, and DM and it is found that .791, .763, .69, and .62 respectively are the suitable reliability estimates. To measure the construct validity, AVE (average variance extracted) for market factors was above 0.5 whereas for the rest of the factors it was less than but close to 0.5. It has been reported that if the AVE is less than 0.5 but composite reliability is higher than 0.6, then the model is adequate (Fornell and Larcker, 1981). Further, the square root of AVE's was more than the correlations obtained between the latent variables which satisfy the condition for discriminant validity.

**Table 1: Validity and Reliability of latent variables**

| Latent variables | AVE | Square root of AVE | Cronbach's α |
|---|---|---|---|
| Market Factors | 0.503 | 0.7092 | 0.791 |
| Best Game in Town | 0.476 | 0.6899 | 0.763 |
| Herding Behavior | 0.407 | 0.6380 | 0.69 |
| Decision Making | 0.486 | 0.6971 | 0.62 |

The method of maximum likelihood estimation has been employed to obtain better outcomes. Further, to test the model fit under SEM, absolute model fit, incremental model fit, and parsimonious model fit have been adopted in the present study.

Table 2 depicts the model adequacy. GFI, AGFI, and NFI should be more than 0.9 but the obtained results are close to 0.9 which is acceptable. Rest all the indicators of model fit are feasible and hence, it can be concluded that the structural equation model is fit. Also, modification indices have been used to make the results better.

**Table 2: Model Fit**

| Absolute Model Fit | Incremental Model Fit | Parsimonious Model Fit |
|---|---|---|
| Chi square is significant at .05. | AGFI = .851 | CMIN/DF = 1.405 |
| RMSEA = .056 | CFI = .932 | |
| GFI = .898 | TLI = .921 | |
| | NFI = .805 | |

**Note: GFI (goodness of fit index); AGFI (adjusted goodness of fit index); RMSEA (root mean square error of approximation); CFI (comparative fit index); TLI (Tucker-Lewis index); NFI (normed fit index); CMIN/DF (minimum discrepancy per degree of freedom)**

## 5. Analysis

The results obtained from the model were quite startling. It has been observed that investors' sentiments remained low for the first few periods after the commencement of the crisis (Bandhopadhyaya, 2010). Consistent with the prior studies, a consistently low relationship has been observed between investor's sentiment and decision making during the complete lockdown. As the sample size obtained is low, thus, bootstrapping was applied for 500 sample sizes and Table 3 reports the regression weights for the desired model.

**Table 3: Regression Weights using Bootstrapping**

| | | | Estimate | Lower | Upper | P |
|---|---|---|---|---|---|---|
| IS | <--- | BG | -.488 | -1.311 | .148 | .256 |
| IS | <--- | MF | .354 | .027 | .898 | .041 |
| IS | <--- | HB | .411 | .017 | 1.321 | .074 |
| DM | <--- | IS | -.279 | -1.496 | .038 | .142 |
| MF_4 | <--- | MF | .876 | .549 | 1.341 | .002 |
| MF_3 | <--- | MF | .932 | .673 | 1.292 | .003 |
| MF_2 | <--- | MF | 1.007 | .759 | 1.454 | .004 |
| MF_1 | <--- | MF | 1.586 | 1.282 | 2.162 | .005 |
| BG_2 | <--- | BG | .872 | .698 | 1.453 | .007 |
| BG_1 | <--- | BG | .890 | .607 | 1.228 | .004 |
| HB_5 | <--- | HB | .785 | .593 | .976 | .004 |
| HB_4 | <--- | HB | .699 | .519 | .927 | .001 |
| HB_3 | <--- | HB | .558 | .377 | .728 | .004 |
| HB_2 | <--- | HB | .977 | .833 | 1.229 | .002 |
| HB_1 | <--- | HB | .903 | .669 | 1.185 | .003 |
| DM_1 | <--- | DM | .556 | .187 | 1.776 | .006 |
| DM_2 | <--- | DM | .447 | .105 | 1.338 | .031 |
| DM_3 | <--- | DM | 1.363 | .398 | 1.213 | .001 |
| IS_1 | <--- | IS | .667 | .456 | 1.321 | .004 |

**Notes: IS- Investors' sentiment; MF- Market factors; HB- Herding behavior; BG- Best game in town, DM- Investors' decision making**

It is clear from Table 3 that only market factors and herding behavior impacted the investors' sentiments significantly at 5% and 10% level of significance. Whereas, the best game in town factors were insignificant in influencing the investor sentiments during the study. Furthermore, the indicators significantly contribute to the latent variables which means that the adequate indicators have been pooled to measure an unobserved variable. Also, investors' sentiment does not affect investors' decision-making at a 5% level of significance but is significant at a 15% level of significance. This can be interpreted in the sense that investors usually become insulated from their sentiments while taking the decisions for investment in the Indian bourses during the crisis period.

Figure 1 reports the structural equation modeling adopted in the present study along with the standardized estimates describing the relationships among the indicators and latent variables.

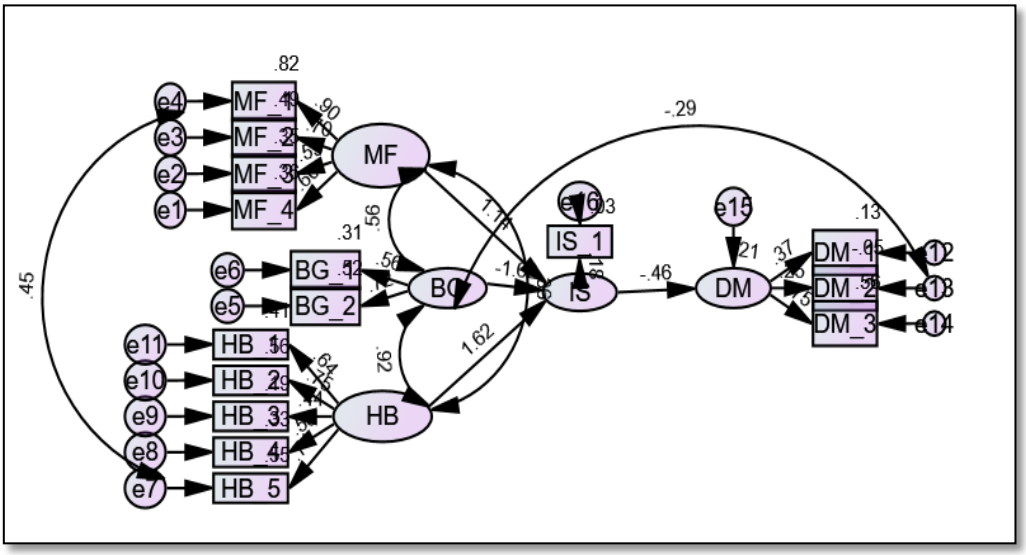


**Figure 1: Measurement model and Structure model**

## 6. Conclusion

The present study is consistent with the available literature on analyzing investment sentiments and investment decision making. Prior studies account for a strong relationship between investors' sentiments and decision making even during times of crisis (Bansal, 2020). The current study reports that investors do not follow their sentiments subject to various influencing factors. This might be because of the short-term complete lockdown announced due to COVID-19 which altered the trading behavior of the investors. The possible explanation of the investors for not chasing their sentiments may be that they want to play safe by looking at the fundamentals of the company and don't want to indulge in speculative activities amid the already existing uncertainties.

The results show that only market factors and herding behavior influence the investors' sentiments but this does not translate into their decision making while investing. In contrast to the study by (Bandhopadhyaya, 2010), the present study does not report low investors' sentiments rather a weak relationship between investors' sentiments and their decision making is observed. In other words, investors give an upper hand to fundamentals of the company while investing in the Indian stock markets rather than the investors' sentiments during the crisis period. One important characteristic

which is portrayed about the Indian investors is that they are tranquil in the state of upheaval events which is unexpected on their part as they are contemplated to make decisions based on their own formulated sentiments leading to severe market crashes.

A gradual improvement in investment behavior is observed as the investors are reported to make informed decisions based on the fundamentals of the company. Therefore, it is concluded that though investor's sentiment is reported to play a vital role in the investment decision making in the previous studies but the present work develops a different viewpoint on the same. A sophisticated investment strategy is adopted by the Indian investors during the crisis by considering the fundamentals of the company while investing instead of the sentiments developed based on various factors.

The present study is of utmost importance to the financial advisors to gain a better understanding of the modified psychology of the investors during the crisis period. This study focuses on the association between investors' sentiments and decision making unlike the previous studies concentrating mainly on investment decision making. It is recommended to explore the investment decision making taken on the basis of investors' sentiment during the crisis period.

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# Analyzing the Potential of Social Media on Heritage Hotels of India

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***Abstract***
*The internet's expansion has constantly supported social media in society from the late 1990s and early 2000s. Several hundred million active users utilize various social media platforms, dedicating time to communicating and finding information within the cyber community. For both hoteliers and visitors, the advent of social media has offered up new opportunities. It has increased its marketing efforts for hotels. It has also aided travelers in getting insight into the area and arranging their stay.*

*Such prevalence and linkage between these two variables, i.e., social media and travelers, proposes the study in the field of heritage hotels and social media. For this purpose, the data was collected from the Indian travelers with a functional sample size of 571. To conclude, the present research paper proposes the analysis of social media to understand the traveler's behaviors and suggest the marketing tactics to hotels.*

***Keywords-*** *Social Media, Heritage Hotel, Travel Marketing.*

## 1. INTRODUCTION AND REVIEW OF LITERATURE

Any traveler while surfing through the social media sites gets across with many photos and videos having beautiful locations and exotic scenes which arose the desire of being there and intends them to look into the details of the location. As soon as the location gets final and the traveling plan comes into the picture there comes the need of booking the hotel and resorts for stay. From here the search for hotels and resorts starts and social media plays its role. Hence, to continue social media in today's times hasn't spared any sector and hotels are no exception to it. Hotels have already adopted a new and innovative way to showcase themselves through social media. Social media is an important tool for travelers by helping them to see new locations, direct engagement with a hotel, enhancing their satisfaction and also builds trust. Social media also entice travelers by offering extending market deals, giving them passive incentives to like, share and comment. Besides this, the use of influencer marketing and blogger engagements is also been crucially impactful. The use of social media is rising day by day in the hotel industry and it's creating more loyalty, attaching new customers and visibility.

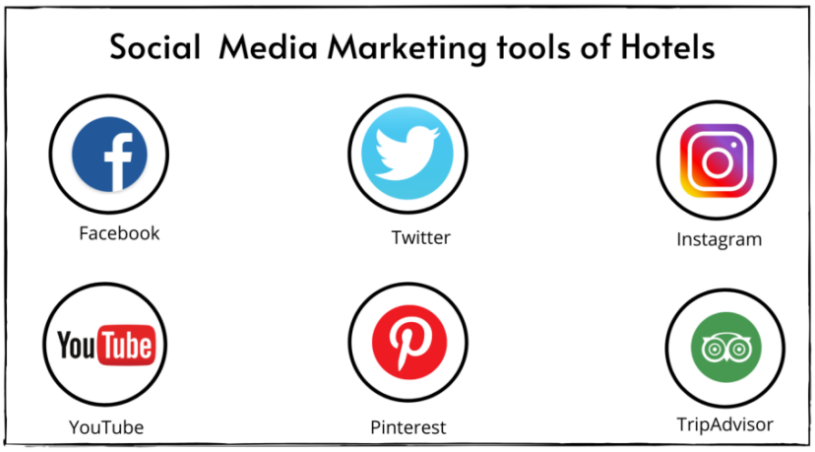


**Figure 1: Social media platform that connects travellers and Hotels**

Verma, M. and Verma, K. (2018), in their research paper titled "Social Media a Promotional Tool: Hotel Industry" explore the role of social media by hotels as well as customer opinions on the use and advantages of social media. Hotels that utilize social media to attract new clients, hold existing clients, and upgrade their online presence are beginning to experience positive benefits. The primary motivation for hotels to engage in social media marketing is to improve their image and promote their properties. Social media channels help hotels in Customer Relationship Management (CRM) and in learning more about customer preferences and behavior. According to the authors, social media cannot directly assist in sales, but it can assist in brand awareness and exposure to outside people, resulting in positive long-term results.

Lee, W., and Chhabra, D. (2015) , in their study "Heritage hotels and historic lodging: Perspectives on experiential marketing and sustainable culture" offer vital and remaking techniques for the sustainable use of historical accommodations. Heritage sustainable tourism, according to the authors, offers host communities with genuine economic benefits while also fostering communal and cultural participation with community welfare. Heritage hotels become a broad field of research. The influence of social media engagement by hotels on prospective booking and income generation is investigated by Healy, T. G., and Wilson, A. (2015). The authors achieve this by first examining top hotel executives' perceptions of the return on investment (ROI) by social media activity, then mining hotel booking data for determining the scope of social media involvement by visitor with a hotel before & after a reservation is done, and finally experimenting with advertising via social media to determine its effect on hotel guest booking and income creation. According to the research, social media engagement and advertising have a positive impact on hotel reservations and revenue generation, and social media participation improves customer service and brand awareness, however it is unclear if it influences purchase behavior. According to researchers, when followers are picked-out with promotional offers over social media, they are more likely to buy, share, and interact.

Shirase, R. (2014), finds in his article "The Effect of Social Networking Sites On Hotel Sector in Pune Region," that the hotel industry may advertise itself on social networking sites by engaging consumers and clients in discussion and then recognising their requirements. The hotel sector may connect with customers on social media before, during, and after their visit. SNS establishes a genuine

connection between businesses and their consumers, sparking a purchase-intensity trend and providing a platform for innovative advertising to be employed successfully for the hotel industry's growth. With the usage of online social platforms, the hotels may achieve competitive edge by lowering advertising costs, increasing awareness, capturing a larger market, transacting worldwide, improving customer service quality, and acquiring new consumers.

The article “An Empirical Study on Use of Social Media in the Hotel Industry in China: A Study of Customers' Preferences and Attitudes” by Wang, R. and Chen, T. (2014) focused on the choice and view point of Chinese passengers, as well as the association between social media utilization (based on WeChat and Sina Weibo) and hotel options in the industry. The study's findings show that associated hotels and network ticketing companies favour to utilize social media to captivate visitors and even likely customers, with the highest three factors influencing hotel selection being pricing (71.84 percent), location (68.16 percent), and online rating (33.06 percent).

## 2. HERITAGE HOTEL SELECTION AND SOCIAL MEDIA POTENCY: ITS DIRECT EFFECT.

Morale has improved as a result of social media. Travelers have power over information sharing since they utilize and captivate social networking platforms. As a result, travelers share only positive details about themselves with their social media networks. This constructive information mostly reverts with the affirmative response which magnifies the affirmative feedback. This eventually increases the assurance and yields various social media benefits. Besides this, higher assurance and morale on positive information shared on social media eventually turns the traveler into impulsive and liberal booking and decisions. The decision in regards to booking heritage hotels has seemed to eliminate the rational behavior of travelers. Based on the information shared by other fellows, the impulsive decision is taken and the hotel is booked. The reason contributing to it is enhancing self-esteem, less control and exhibiting the privilege among their network of acquaintances.

Practically, heritage hotels exhibit luxurious and royal expenditure which enhances the traveler’s prestige. Booking of the heritage hotels for stay is more showing off than the necessity. And it has been assumed that higher intensity of using social networking sites results in an absurd decision of booking a heritage hotel. Believing this, the first hypothesis of the study is framed as - **$H_1$:** Increase use of social media positively affects the booking of heritage hotels.

## 3. METHODOLOGY

To test the hypothesis, the study collected a sample from Indian travelers. For the data collection convenience sampling was used with a functional sample size of 571. Data is collected online through Goggle forms.

## 4. VARIABLES, DATA ANALYSIS AND ASSESSMENT

India, an important nation that exhibits diverse cultures and traditions. For the study, two main variables are considered. Which are – Social Media Potency and Booking of Heritage Hotel. The following variables have been analyzed with the help of six-point Likert scales.

| Constructs | Question | Variable | Source |
|---|---|---|---|
| Social media Potency (SMP) | Rate your intensity of using the following social media channels?<br><br>(Where 1 is "Not At All Active" and 6 being "Very Active") | SMP 1: Social Media Platforms (e.g. Facebook and Instagram)<br>SMP 2: Micro-blogging sites (e.g. Twitter)<br>SMP 3: Online photo-sharing platforms (e.g. Instagram, and Pinterest)<br>SMP 4: Sited for video sharing (e.g. YouTube) | Adapted from Bush and Gilbert (2002) and Ellison, et al. (Gonzales, A. L., & Hancock, J. T., 2011) |
| Booking of Heritage Hotel (BHH) | Prior to booking the heritage hotel for a stay...?<br><br>(Where 1 is "Strongly Disagree" and 6 is "Strongly Agree") | BHH 1: It's important to know what my colleague thinks of a heritage hotel I'm considering booking.<br>BHH 2: It's important to know which kind of individuals are booking the heritage hotel I'm thinking about.<br>BHH 3: Knowing what other people think of individuals who book certain heritage hotels, as I do, is important.<br>BHH 4: Knowing which heritage hotel to book is crucial for making a good first impression. | The scale is developed based on the concept derived from Chung and Fisher (2001). |

**Table 1: Representing the Research Constructs and Variables.**

To gauge the reliability and validity of research variables and items, squared multiple correlations and correlations among the variables were calculated. Analysis and calculation unfold the considerable interconnection between the variables. The following stats, supplement the validity of the research variables-

- Mostly, the Correlation among the variables is higher than 0.70.
- Most of the research variable has $r^2$ higher than 0.60.
- In addition, variables are also valid. As the factor loadings of the research variables range from 0.69 to 0.91.

To analyze and inspect the reliability of constructs, variables, and scales, composite reliability (*cr*) and Cronbach's Alpha (α) were

used. Cronbach's Alpha (α) and Composite reliability (*cr*) are both more than 0.70, indicating that the study variables and construct are trustworthy and valid.

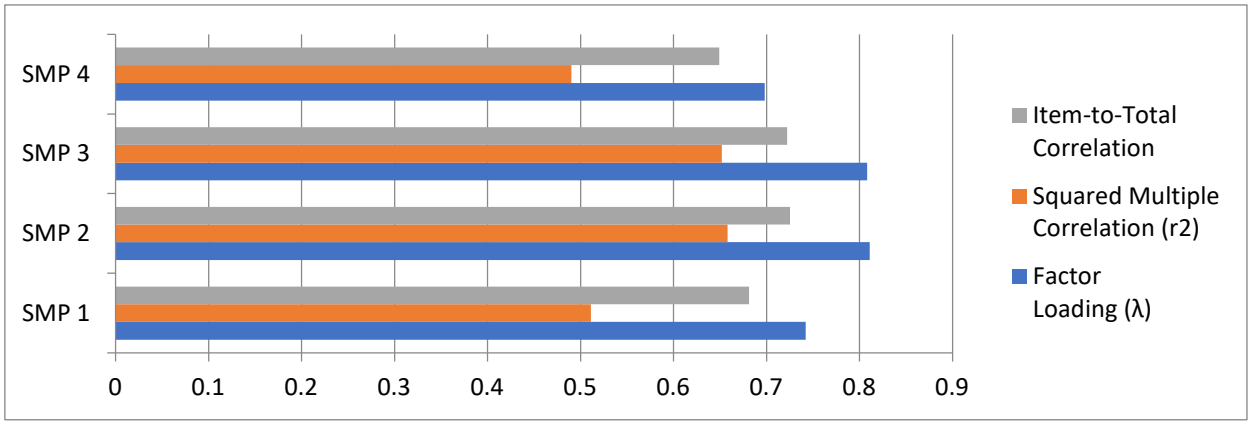


**Figure 2: Delineating the analysis of Social Media Potency (SMP)**

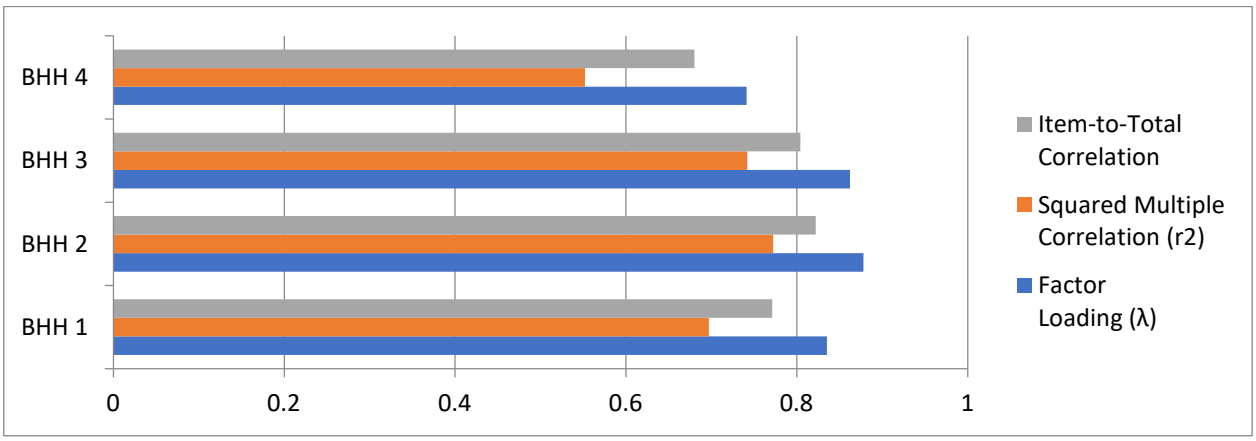


**Figure 3: Delineating the analysis of Booking of Heritage Hotel (BHH)**

| **Construct** | **Composite Reliability (*cr*)** | **Cronbach's Alpha (α)** | **Average Variance Extracted (*ave*)** | **Standard Error (*se*)** | **SMP** | **BHH** |
|---|---|---|---|---|---|---|
| | | | | | **Square root of the average variance extracted (*ave*)** | |
| Social media Potency (SMP) | .721 | .853 | .393 | .029 | .627 | |
| Booking of Heritage Hotel (BHH) | .823 | .897 | .539 | .028 | | .734 |

**Table 2. Delineating the analysis of reliability and validity of research constructs.**

The usual approach provided by Fornell and Larcker (1981) and Bagozzi and Warshaw (1990) was used to determine reliability and scale validity. The square roots of average variance retrieved for all constructs were then determined. It was also discovered to be larger than the relevant correlation with other constructs, indicating that it was sufficient. Furthermore, each construct demonstrates viability because the correlation is smaller than 1 when the standard errors are taken into account. Since the study's constructs and variables have been proved to be trustworthy, valid, and suitable. The research has progressed to the next stage of testing the hypothesis.

## 5. FINDINGS AND DISCUSSION

The structural equation model was employed to test the hypothesis. The model fit was tested using the Chi-square test, as proposed by Yi and Bagozzi (2012). The model's $X^2$ is 354.17(d.f. =71), which is significant at p.01. However, the literature on the structural equation model suggests that chi-square should not have been used alone to assess model fit. Sample size sensitivity is the explanation behind this. Given the study's enormous sample size, seeing much colossal $X^2$ becomes impossible. As a result, other important indices such as TLI (NNFI), RMSEA, and CFI, with values of 0.972, 0.58, and 0.978, have been considered (R. P., Bagozzi & Yi, Y., 2012). The structural model bestows an appropriate and a good fit for the data, as the TLI and CFI are higher than 0.97 and RMSEA is lesser than 0.60. The data analysis expresses powerful results and supplements both the hypothesis. The following figure no. 5. depicts positive structural coefficients with a significant p<.01and having the relative standard errors indicated in parentheses. The potency and increase use of social media positively and significantly impact the booking of heritage hotels having $\beta$ = .384 and $p$ <.01). Thus, the data validates $H_{1.}$

| | **SMP ≈ BHH** |
|---|---|
| Direct Impact | .301 |
| Indirect Impact | .196 |
| Comprehensive Impact | .497 |

**Table 3: Delineating the direct, indirect and comprehensive impact (Standardized Structural Coefficients)**

Agreeing to divination, the results of the study factually prove that the potency of social media is so powerful that it impacts and influences the booking of a heritage hotel. Research also stipulates that increased active involvement on social media by travelers leads to an increased chance of booking heritage hotels by stimulating the sense of prestige. The findings of the data analysis are also consistent with Stephen's and Wilcox (2013) study, which claims that surfing and using social media tempt vacationers to spend a little more and feel fabulous by displaying status. As a result, those who spend more time on social media are more prone to make snap decisions about vintage hotels.

## 6. CONCLUSION AND SUGGESTIONS

The research paper has explicitly scrutinized and has examined the phenomenon of social media impact on decision-making of travelers while booking heritage hotels in India. For this purpose, rigorous and empirical analysis of data in regards to the two research constructs of the study; social media use and potency and booking of heritage hotels has been carried out. The results of data analysis conclude that social media networking has affected traveler's choices tremendously. India is a country that offers an exemplary depiction of developing economies and its travelers have latterly escalated the usage of the internet and social media networking. This growth and advancement give a wide scope to heritage hotels for implementing marketing strategies to attract travelers. Besides this, it also calls for

researchers to give insight as in academic purpose and develop theories. The research paper authenticates and elongates both the literature on social media networking and the behavior of travelers by studying how social media has impacted the decision-making of travelers. Thus, it also supplements the academic contribution. Facebook, Instagram, Youtube and other social media network channels offer travelers to post and present what they wish. And often, to exhibit their prestige among their friends, travelers render and showcase the luxury and positive details. The replies on the post by community members and friends lead to the enhancement of positive information, which thus usher the prestige and self-esteem leading to the constructive advantage of social media. This often leads the way to make an impulsive and irrational booking. In comparison to the distant know members, the close members in the social media network are also proven crucial in the decision of booking of a heritage hotel. Posting the positive information makes other travelers actively involved and makes them rely on the information and on basis of which they make the booking decision. As a result, the study supports the social network strategy and expands the trip marketing literature through highlighting activity and possibilities.

The findings of the data analysis show both primary and secondary effects of a social media site on heritage hotel bookings, which help hoteliers build modern and digital marketing strategies.

## 7. FUTURE RESEARCH

The further study may be elucidated in researching other relevant factors such as the expectation of travelers in booking the heritage hotels, the propensity to over-spending and over-utilization of credit and the researches focusing on the deeper insight of traveler's practices in cyber & virtual environment. Besides this, comparative studies of various models from different studies in national and international contexts can also pave a way for the generalizability of further development of advanced theories.

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# Impact of Financial System on the Economic Growth of BRICS Countries

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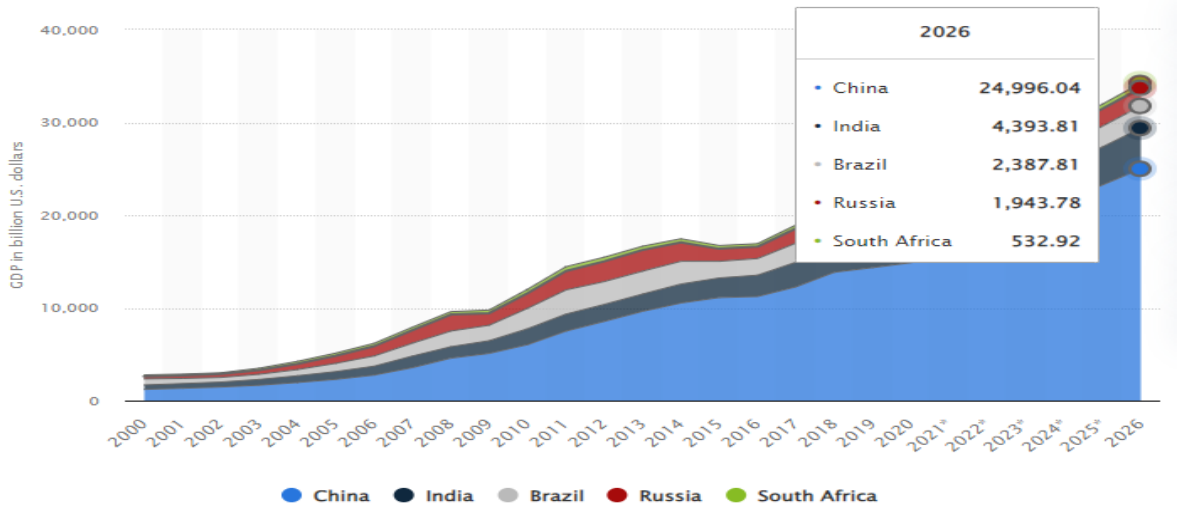
## Introduction

Most economists believe that financial development will flourish societies which ultimately improve standard of living of common people. Economic development depends upon financial stability and its sustainability which is in the hand of financial institutions, and financial market. The close interrelation amongst the financial players brings the systematic way of mobilizing the funds towards capital formation. The proper allocation and management of these funds then fetches long term growth prospect for an economy. Financial stability is associated with many factors like exchange rate risk, lending rate, percentage of increase in non-performing assets, total value traded in national stock market and various other factors. For the developing country like India which falls under low middle income group as per World Bank where financial sector is one of the core areas because of its lending process, technical assistance, credit guarantee etc. It provides financial support to primary, secondary, and tertiary sectors and helps the government in augmenting financial inclusion. Boikos, Panagiotidis, & Voucharas, (2022) has found all the components relating to financial reform are important aspects of economic growth rather than financial development. Agnello, Mallick, & Sousa, (2012) has explained the financial reforms help in dwindling income inequality. More focus is required in capital market and to uphold high reserve to bring down the income inequality. Arcand, Berkes, & & Panizza, (2015) stated that countries with very large financial sectors shows negative correlation between financial depth and economic development and vice versa in case of countries with small financial sectors. Well developed bank, non bank, insurance and pension countries' stock markets are less volitale (Levine & Demirguc-Kunt, 1996).One of the development measure is debt equity ratio of large firms which is high in case of developing countries and low in case of developed countries (Demirgiiq-Kunt & Maksimovic, 1995). International trade taxes matter for developing countries whereas

income taxes matter for developed countries for its growth prospective. Beck, Levine, & & Loayza, (2000) demonstrated that economic growth is reverberation due to better concomitant of financial intermediators. (Barro, 1991) has investigated 98 countries found that growth in per capita and ratio of private investment to GDP gives negative impact on the ratio of government consumption expenditure.

BRICS (Brazil, Russia, India, China, and South Africa) countries are group of emerging economies which play a vital role in development and ultimate nourishment of global economy. Three relevant aspect which make it different from other economies are economic growth, political stability, and its outstanding size. The main reason behind the steady economic growth is huge amount of contribution from agricultural as well as industrial sector. Even though the BRICS countries possessing rapid growth of population, they have sufficient potential to dominate other countries.

Since the beginning of the 21st century, the BRICS countries have been considered as the five foremost developing economies in the world. China's GDP will overtake that of the U.S. is the largest economy in the world, while some also estimate that India will also overtake the U.S. around the middle of the century (Aaron O'Neill, 2021).




Gross domestic product (GDP) of the BRICS countries from 2000 to 2026*(in billion U.S. dollars)*

To validate the information, BRICS countries are compared with G7 advanced economies of the world. The data has been extracted from IMF where GDP at constant price of India is holding second position in comparison with Japan. Rate of inflation in India was almost 4 times of Japan in the year 2019.From the table-1 it is observed that the volume of import and export both are declined in comparison to India. It narrowed the trade deficit due to Covid 19 pandemic after imposed largest restriction on transport and implementation of social distancing measures (Report of wro.org 2020). Government revenue percentage to GDP is detected to be extraordinary in France and Italy. In primary lending and borrowing, the position of India and China are weaker amongst the BRICS countries, but it is seen to be better from Japan. Unemployment rate is extremely high in South Africa because of decline in the demand of unskilled labor as composition of employment increase in the pool of skilled labor (Abhijit Banerjee, 2007). The current account balance of Germany is

7.15% of GDP which indicates a sound financial position and free from external crisis. From the figures it is observed that current account deficit is high in India, Brazil, and South Africa on the other hand countries like UK, US, Canada and France condition are alike to developing countries.

| Subject Descriptor | GDP at CP | Inflation | Vol Imp | Vol of exp | Unemploy | Govt rev | Cur acc bal |
|---|---|---|---|---|---|---|---|
| Brazil | 1.137 | 3.733 | 4.062 | -1.932 | 11.925 | 31.844 | -2.769 |
| Russia | 1.342 | 4.47 | 3.025 | -3 | 4.6 | 35.54 | 3.838 |
| India | 4.181 | 4.762 | -6.015 | -4.523 | | 19.302 | -24.55 |
| China | 6.11 | 2.903 | 0.184 | 0.239 | 3.62 | 27.66 | 141.335 |
| South Africa | 0.153 | 4.13 | -0.143 | -2.351 | 28.7 | 29.065 | -3.017 |
| G7 | | | | | | | |
| Canada | 1.656 | 1.949 | 0.66 | 0.907 | 5.667 | 40.816 | -2.04 |
| France | 1.509 | 1.3 | 2.538 | 2.169 | 8.467 | 52.565 | -0.667 |
| Germany | 0.555 | 1.346 | 2.473 | 0.577 | 3.133 | 46.696 | 7.074 |
| Italy | 0.301 | 0.634 | -0.769 | 0.651 | 9.9 | 47.069 | 2.959 |
| Japan | 0.671 | 0.477 | -0.702 | -1.611 | 2.358 | 34.385 | 3.628 |
| United Kingdom | 1.463 | 1.791 | 2.055 | 4.978 | 3.825 | 36.403 | -4.008 |
| United States | 2.161 | 1.812 | 0.483 | -0.104 | 3.667 | 29.386 | -2.241 |

https://www.imf.org/en/Publications/WEO/weo-database/2020/October

**Table 1**

Overall, from the above facts and figures it is observed that position of BRICS countries is in challenging place based on above factors in comparison with advanced economic countries.

However, the present study selected BRICS countries for several positive reasons:

i- they constitute approximately half of the world population.

ii- they are rich in natural and human resources; and

iii- they have developed educational systems that will provide a skilled labour force.

iv. they constitute one fourth of the world gross domestic product which make them economic power. This could give comparative advantages in many ways with European Union and the United States. Moreover, the world was baffled of the economic growth achieved by China and India during the financial crisis of 2008 when rest of the industrialized economies went to a deep recession.

Therefore, the objective of this study is to examine the factors contributing towards the economic growth in BRICS countries utilizing unit root test and error correction model. This paper is unique from previous empirical studies in several ways. Empirical studies that investigated the financial development constraints determining economic growth of BRICS economies are rare. In addition, this study includes some variables that have not been tested before such as the variable of broad money and the variable of domestic credit to the private sector. Moreover, data utilized in this paper are more recent and updated and it includes all member countries.

## Literature review

(Wasiak, 2016) The association of explanatory variables like inflation rate, percentage of population growth rate, investment rate, fertility rate, life expectancy at birth, share of

population age (15-64), openness rate by calculating sum of export and import and then divided it by GDP, government consumption expenditure rate on GDP on the economic growth of the 28 EU state members and 34 OECD countries are analyzed with the help of Bayesian Model averaging method. The study covered 10 years of time from 1993 to 2013. From the study it was found that domestic credit was a significant variable for the economic growth of the EU countries. The share of non-performing assets to total loans has formed a negative impact on growth output of the countries. Market Capitalization showed a positive significant on the growth output of the EU and OECD countries. Rousseau & Kim, (2011) originated that stock market channel direct funds on the basis of market signal and information drives financial development then traditional finance like banks with lending technlogy. Langfield & Pagano, (2015) described the implementation of anti-trust policy in European Union countries to address bank's bias problem.

Piabuo, (2017) aimed to analyze the economic growth of Cameroon by capturing two aspects of financial system: financial depth and financial efficiency. The study found that broad money enlarges the financial depth and percentage of deposit credit to private sector broadens financial efficiency. The effect of these two independent factors with support of control variables i.e., government expenditure and private expenditure, using Auto regressive distributive lag model covering the time of 34 years found that credit to private sector was insignificant to economic growth in the short run but it was significant in the long run. M2 was showing significant relation with economic growth in the long as well as in the short run.

Deltuvaite & Sineviþiene.L., (2014) in their study divided 23 countries based on bank based, market based and mixed based financial system, shows lowest GDP per capita ratio to bank based financial system countries and highest GDP to market based and mixed based financial system countries.

Chakraborty, (2010) examined the separate role of banking sector and stock exchange in financial development and its impact on the economic growth of India. The factors taken to examine were rate of inflation, external debt burden, net inflow of capital to GDP, market capitalization real effective exchange rate, rate of growth of human capital, rate of growth of labor by using Johansen co integration test on growth rate of GDP. External debt burden, exchange rate, rate of growth of human capital has negative effects on economic growth. On the other hand, market capitalization of the exchange has not played significant role in enlarging the economic growth of India. Paun.C.V., Musetescu, Topan, & Danuletiu, (2019) demonstrated that banking institution is less effective than capital market in bring sustainable development in the economy. He has highlighted that during crisis period monetory policies generate inflation in the economy which result to decline in GDP. Ayadi, Arbak, Ben-Naceur, & De Groen, (2013) found that contribution of stock market is positive on the economic growth of the countries consisting of low quality firms. The paper also examined that absent of proper financial regulation and policies hamper the economic growth of the southern and northern Mediterranean countries. Yucel, (2009) measured the integrity between the GDP with the liquid liabilities and trade openness. By using Granger co integration test, the study found the existence of bidirectional causality relation between GDP with financial development and trade openness.

Barua, (2015) undertaken research on South Asian Countries with five major variables i.e., domestic credit by financial sector, total debt service, gross domestic savings, broad money,

trade balance on GDP growth rate for the period 1974 to 2012. By applying pooled panel regression model fixed effect, found that domestic credit to financial sector and broad money were insignificant to growth of GDP. Total debt services and gross domestic savings were significant to economic growth. Therefore, the prior literatures confirmed that financial intermediaries and financial market both simultaneously brings financial reforms and financial development in the economy. The financial development is the source of economic progress in the countries. It is also explained in the literature that liquidity, size, and efficiency of the stock market increases with support of financial institutions is also a basis of economic progress. Therefore, to run the economy in smooth manner financial intermediaries and capital market work hand to hand to support the entire financial system.

**Data and Research Methodology**

The paper is investigating two important aspects of financial system i.e., capital market and financial intermediaries (banks) role in economic growth of the countries. Capital market is such a sector which integrates international capital because of its size, volatility, efficiency, and liquidity. Levin.R. & Zervos, (1996) has explored long run association of stock market development with economic growth. Levine & Demirguc-Kunt, (1996) mentioned that development in stock market is only possible if parallel development happen in banks, non- banks, insurance companies and private pension funds. The aim of this study is to find the nexus between stock market, financial institutions with the economic growth of BRICS countries. The data were obtained from the website of the World Bank (www.worldbank.org). The independent variables used in the study are broad money, domestic credit to private sector, stock traded total value to GDP and with one controlled variable i.e., export of goods and service percentage to GDP. The real growth rate of GDP is considered as the representative of the economic growth of BRIC countries and dependent variable for this study. The time span designated for the study is 19 years, from 2000 to 2019.

**Research Objective**

The research objective of the paper is

Ho- There is no influence of financial institutions and financial market on the GDP of BRICS countries.

H1- There is influence of financial institutions and financial market on the GDP of BRICS countries.

**Econometric**

The study includes four high middle income group countries, and fifth country is low middle-income group. As per the prior literature impact of financial system is measured with help of different variables. But in this study selected countries are different in many respects like size of government, financial structure, culture, currency, region etc., financial constraints chosen for the research are broad money, stock traded total value to GDP, Domestic credit to private sector and export of goods and services on real growth rate of GDP. Datasets contain cross-sectional and time heterogeneity. The equation model of the study is

$$GDPit = \beta 0 + \beta 1\ M3it + \beta 2\ DC\_to\_PS\ it + \beta 3\ ST\ it + \beta 4\ export\ it + \varepsilon i\ it \ldots$$

Where

*GDPit* = *Real growth rate of GDP*

*M3it* = *Broad money*

*STit* = *Stock traded total value to GDP*

*DC_to_PS* = *Domestic credit to private sector*

*EXPORTit = Export of goods and services*
*εi = Error terms*
*i= country name and t= time period*

GDP- In a specific time, monetary value of all final goods and services produced within the country is known as gross domestic product. It is important indicator to measure the economic health of a country. Aghion, Howitt, & Foulkes, (2005) examined that financial development is the most powerful force which converge to economic growth of the country.

M3- Broad money is defined as the sum of currency in the form of time deposit and narrow money (M1). Narrow money supply includes the sum of currency in bank as demand deposits other than with central bank, the foreign currency, and other securities like certificate of deposit and commercial paper. Stuart Berry, (2007) has taken broad money to measure the financial depth of the economy

DC_to_PS- Domestic credit to private sector percentage to GDP means the total credit available for the private sectors to meet up their required demand.

ST- Stock traded to total value means the percentage of the market capitalization of the listed companies in the leading stock exchange of the BRICS countries to GDP. Ali, Ramakrishnan, & Faisal, (2022) has stated that presence of stock market is blessing as it is one of the important constraint to engender positive nexus with natural resources revenue.

Export of goods and services- It includes all the domestic goods like merchandise with services like royalty, insurance, transport, freight exported to other countries.

**Unit Root**

Before applying panel regression, data must consider stationarity. To test the stationarity, there are various test available but Augmented Dickey fuller is supreme in providing critical value.

| **ADF - Fisher Chi-square** | | | |
|---|---|---|---|
| | **Statistics** | **P- Value** | **Test of Unit root** |
| **GDP** | 22.3927 | 0.0132 | First difference |
| **Export** | 32.2400 | 0.0004 | First Difference |
| **DC_to_PS** | 25.8545 | 0.0039 | First Difference |
| **M3** | 30.5227 | .0007 | First Difference |
| **ST** | 33.6308 | .0002 | First difference |

**Table-2**

The data of GDP, export, domestic credit to private sector, stock market traded to total value , M3, export of goods and services and growth rate of GDP found to be significant at 1% after applying augmented Dickey full test.

**Test of Multicollinearity amongst the independent variable**

| Variable | Coefficient Variance | Uncentered VIF | Centered VIF |
|---|---|---|---|
| | | | |
| C | 0.041689 | 1.109323 | NA |
| DDC_TO_PS | 0.00039 | 1.36485 | 1.351043 |
| DM3 | 0.001334 | 1.335928 | 1.212409 |
| DST | 1.09E-05 | 1.063014 | 1.060935 |
| DEXPORT | 0.003749 | 1.11815 | 1.112214 |

**Table 3**

The above table demonstrations that no existence of multicollinearity among the selected variable. The variance inflation factor amongst the independent variable is less than 5.

It is also observed that time span taken for the study is more that cross sectional variable. The selected time is 19 years whereas the cross-sectional independent variable is five. So, in this case cross section SUR (seemingly unrelated regression) is applied to find the significant relationship between the variable. The result of the test is as follows: -

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| **C** | 0.032992 | 0.204179 | 0.161586 | 0.872 |
| **DDC_TO_PS** | 0.013803 | 0.019754 | 0.698733 | 0.4865 |
| **DM3** | -0.115212 | 0.036525 | -3.154312 | 0.0022 |
| **DST** | 0.004719 | 0.003303 | 1.428553 | 0.1566 |
| **DEXPORT** | 0.138801 | 0.06123 | 2.266878 | 0.0258 |

**Table 4**

The above resultant of the applied test states that broad money and export are considerable at 5% significance level and domestic credit to private sector and stock market total value to GDP are insignificant. As per the test broad money has negative impact on GDP, 1% rise in broad money elevates to .115% decrease in GDP. The supply of money enhances the circulation of money within the economy and which further outpouring the price of consumer goods. Increase in export of goods and services by 1% paramount to .139% shoot up in GDP. Stock market capitalization of BRIC countries could not raise the higher prospects of economic growth. High financial credit to private sector has no influence on the growth rate of GDP.

To verify the test acceptability residual cross section dependence is applied. The objective to find whether the residual contains cross section dependence or not.

The result of the test is as follows

| Test | Statistic | d.f. | Prob. |
|---|---|---|---|
| Breusch-Pagan LM | 5.108985 | 10 | 0.8838 |
| Pesaran scaled LM | -2.2117 | | 0.027 |
| Pesaran CD | 0.947023 | | 0.3436 |

**Table 5**

There is various test available to measure the correlation between the residuals but for this regression model Pesaran CD test is found to be appropriate. Therefore, from the above figure p value found insignificant at 5% level. Henceforth, it is proofed that residual contains no cross-sectional dependence.

**Finding of the study**

The study focuses that broad money and export is directly nexus with financial development and stability of an economy as it is found to be significant at 5% level. Broad money throws negative impact on GDP which led to increase in the rate of inflation. This additional cost due to inflation effect consumer consumption and industrial production pattern. Feldstein & Stock, (1993) has explained in his study that M2 not only reduce rate of inflation but also the variance of GDP growth rate. As each sector is interlinked with the financial system, it will directly or indirectly be challenging for our economic growth. Export of goods and service is extremely imperative amongst the independent variable as it throws a positive effect on GDP at 5% significant level. Trade openness enhances the export of goods and services between the countries. Henceforth, it states that export of goods and services help in augmenting good trade relationship between the countries and help to build our foreign reserves. But the stock traded total value at capital market and domestic credit to private sector of the BRICS countries found to be non-significant towards the progressiveness of economic growth.

**Discussion**

Financial development is a very vast concept and holds many dimensions. Rousseau & Sylla, (2003) has explained components of good financial system. Presence of stable monetary provisions, public finance and debt management, stable central bank, international finance support and well structure financial market frame the complete set of good financial system. As per the study has covered broad money, domestic credit to private sector, stock market total value which are insufficient measuring aspects to capture the concept of financial development of a country. The analysis shows domestic credit to private sector is not statistically significant but positive impact on the GDP of the BRICS countries. Therefore, it implicates that government must inject more funds to increase the efficiency of the private's sector. Exports of goods and services has positive influence on promoting the economic growth of the BRICS countries. Exports of goods and services with member's countries or with advanced economic countries always aimed in reducing the autonomous debt and enhance the international reserves of the respective countries. Domestic industries must take the advantage of trade relationship amongst the members' countries, and which further ensure macroeconomic stability.

**Implementation**

From the prior literature undertaken upon various countries mentioned that financial development pillars are financial institutions and financial markets. They are the medium through which integration of money from individuals, institutions are possible. Savings and investment are the tools of capital formation which is possible with the help of financial intermediaries.

Capital market is a sector which is accumulating funds from various types of investors. And this accumulated fund meets the financial needs of the firms. The domestic companies raising of capital for better operation of their business through the stock market.

Financial institutions need to be more focus more towards the credit system. Medium,

small, and micro enterprises are needed to be supported financially, so ease norms to avail the credit benefits is required to sustain in the competitive markets.

Industries are more motivated for exporting the goods and services to bring more foreign reserves. Therefore, it is important to ease the trade relations between the nations and allows the domestic players to gain more from the international trade.

Tightening the monetary policies should take care of proper supply of money within the economy which control the inflation rate. As inflation rate reduces the purchasing power of consumer as well as reduce the industrial productivity.

**Conclusion**

The main aim of the research is to find relationship between economic growth rate with broad money, stock traded total value to GDP, domestic credit to private sector with one controlled factor export percentage to GDP. The result for the study found that broad money and export percentage to GDP are significant, and stock traded total value at capital market and domestic credit to private sector is insignificant by applying Panel EGLS, cross section SUR.

Although in Brazil economic crisis occurred in the year (2015-2016) where it was a downturn but the major reason behind the contraction of GDP was manipulation of government account and corruption. Brazil economy again started recovering from recession and showed the sign of growth over the years. In the same way China's economy got slow due to decrease in FDI by 34% in the year 2015 which further reduce to 44% in the year 2019.It is seemed that Foreign direct investment plays a major role towards the economic growth of China. In India GDP growth rate got deteriorate in year 2019, found that inflation rate is unexpectedly high and rose to 45%, created negative consequences on economic development. In Russia recession came in the year 2009, GDP contracted to 45% along with capital market stock traded total value declined whereas broad money percentage to GDP rose. Global Recession hit to South Africa in the year 2009 because of increase in rate of unemployment due to growth in vulnerable population. Henceforth, the main reason behind the economic crisis is the money supply which is effect by increase in the broad money which led to rise in inflation rate. The major reform to be implemented for improving the financial efficiency by bringing the equilibrium position of demand and supply of the money in the economy. BRICS countries are emerging economies who have taken major financial reforms to deal with recession period. As per the study broad money and in export of goods and services are the constraints where government needs to take major reform, along with proper measure to control inflation must be emphasized.

The study is confined to broad money, domestic credit to private sector, stock traded total value as main barometer for the measure of financial development. The area under the financial system is very vast and study has covered only negligible portion and sidelined the others in the present study. The paper is based on annual data which neglected the quarterly effect of independent factors on the economic growth.

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# CASE STUDY

## SECTION

# CASE STUDY 1

# The Fate of Technology-Based Start-Up Post Covid: A Case of Nykaa And Zomato

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**Introduction**

Start-ups have become the critical drivers of economic growth and job creation, innovation, and the development of new dimensions for the markets. As a rule, start-up firms account for about 20% of employment but create half of all new jobs, and these firms make significant contributions to productivity growth.

In the wake of the COVID-19 pandemic, start-ups have continued to impact economies substantially. The pandemic has prompted some innovative start-ups to respond fast and flexibly, and some have played a significant role. Over COVID19, countries have started shifting their work culture to work from home, digitized education, health care, and banking. Start-ups have taken advantage of these new circumstances by launching a variety of digital health services, which include COVID-19 trackers, remote patient monitoring, and remote consultations, introducing "no-contact" food delivery and developing artificial intelligence solutions for research and science, remote working tools, or online learning and entertainment, some of which they have provided free of charge.

As a consequence of the new norms directed by governmental bodies across the globe, consumers have noticeable behavioural changes. With online shopping, social distance, and less desire to travel to congested-high density areas, the new normal might not be as bad as people envisage. In some of these sectors, the new normal may provide new opportunities. The entire market that was untouched before is now open for business. As we discussed, some start-ups are already working upon the scenario mentioned earlier. Considering all this, start-ups are already working on the design mentioned above.

**E-commerce & delivery-based services**

Due to the social distance being the new normal in upcoming months or even years, and people refraining from gathering in markets, grocery stores, and public places, E-commerce and Delivery are experiencing a boom. Moreover, to cope with COVID-19, such

methods offer a safe and distanced way to obtain essential and non-essential commodities. Thus, the industry is to see a surge in customer-retail operations.

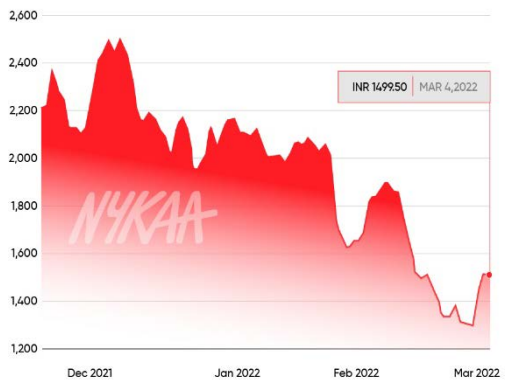
Due to the arrival of the technological revolution and interface management systems, this industry was already on a growth trajectory. Despite that, the recent events have just catalysed the entire game to new heights. People who previously avoided online ordering utilities, services, and commodities are now adapting to purchasing their necessities online.

New-Age Companies Slump After IPO Rage

In last year's IPOs, these new-age tech stocks gained much attention from investors. Some complicated business models and high valuations, which many felt were unjustifiable, did not discourage investors. The shares were purchased by institutional investors, domestic and foreign, and retail investors. The majority of IPOs received healthy oversubscriptions. On the day these internet-based companies were listed, the shares prices surged, further reflecting the investors' enthusiasm.

The reversal has been no less dramatic. For instance, Nykaa, which surged to INR 2,001 on BSE and achieved a market cap of INR 1 Lakh Cr on its debut on November 11, 2021, was trading at INR 1,504 on March 4, 2022. the recently listed new-age tech stocks like Nykaa and Zomato have dropped by approximately 50% since their listing.

Even at the time of IPOs, many market pundits had dismissed the hype and hoopla around these offerings. However, the wild swings in share prices have again raised pertinent questions about new-age tech stocks. As a result, their business models, short-term and long-term prospects, and roles are being questioned, along with VC and private equity valuations.





**Source: NSE, Inc42 Plus Analysis**

**Case Discussion**

1. Analyse the case of Nykaa and Zomato and put forward your analysis related to the fate of technology-based Start-Up Post Covid.
2. Discuss the investor's interest in new-age tech stocks in the future.
3. Do you think the rising interest rate in the US will impact new-age tech stocks in India?

# CASE STUDY 2

# Sugar Cosmetics: Leveraging Social Media Influencers

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According to a survey published by Harvard Business Review**, global yearly consumer expenditure by women is valued at $20 trillion and is expected to reach USD 28 trillion in the next five years.** The worldwide cosmetics business is estimated to reach USD 428.9 billion by 2022. The Indian cosmetic industry is also growing very rapidly at a rate of 13-18 percent more than that of US or European markets, it is expected to touch USD 20 billion by 2025 at a compounded rate of 25 percent. The Indian cosmetics industry is USD 6.5 billion in compare to global market of USD 274 billion. Some of the reasons behind this rising demand are increasing awareness of beauty products, increasing demand for premium personal grooming products, changes in consumption patterns and improves purchasing power among women. Demand for cosmetic is growing at an exponential rate among the women in India increasing number of working women, improving purchasing power among the women, changing lifestyle pattern. Three gaps were found in Indian beauty market, first is e-commerce market is still which is in nascent stages, expected to grow in future, the customers wants gain digital experience. Some of the factors motivating the shift towards e-commerce platforms are simplicity, time-saving, more choice and the "real-time" experience are creating excitement among the young women especially. Second is non-availability of beauty products matching Indian skin tones and the third is no beauty product are available in medium price range in Indian market.

Kaushik Mukherjee and Vineeta Singh founders of Sugar Cosmetics identified these vacant spaces in beauty market in India. Kaushik Mukherjee, the Co-Founder, and CEO of SUGAR Cosmetics is a BITS Pilani and IIM Ahmedabad alumnus, and a TEDx speaker and a marathon runner and an Ironman triathlete with Vineeta Singh, the Co-Founder and CEO of SUGAR Cosmetics, a TEDx Speaker and an alumni of IIT Madras and IIM Ahmedabad and an ultramarathon runner both decided to team together on an eCommerce project.

In 2012 by Kaushik Mukherjee and Vineeta Singh started cosmetic subscription service the "FAB BAG" for 599 INR every month, users would get a "surprise" beauty box including a mix of five goods from the categories of cosmetics, bath and body, skincare, haircare, and fragrances. These items were largely new and unknown brands that were sourced from abroad. This project allowed the team to create a database that the SUGAR wanted to position itself as a premium brand to mass consumers interested to upgrade and try something less costly. She was not earning much in this project, but she was studying the beauty market

of India, she was experimenting with foreign cosmetic products and taking feedback from the Indian customers. The customers were also giving their feedback openly; it helped her to understand the Indian beauty market. Soon 15,000 customers got associated with Vineeta through subscription.

She understood that neither the foreign products nor the Indian products are producing products keeping in mind the Indian customers. The global players are making the beauty products according to the skin tone of their customers. But the skin tones of Indian customers are different. Along with environment pollution level in India is high. The beauty products available in Indian market are mostly glossy, but she realized that matte finish beauty products are better for Indian market because they are long lasting and match with the skin tones of Indian customers, in compare to the glossy products. And they do not match with the requirement of the working women.

There are brands like Lakme, Maybelline with budget products in India while the premium brands like MAC, Sticks are expensive, thus there is no brands exist in middle range, the brand sugar was launched in India. They develop the product keeping in mind common women. She understood that celebrity endorsement not going to work in Indian market. Earlier, the cosmetics brands use to promote their products using film stars, celebrity endorsement was key to success, while the market scenario changed in new millennium, the customers are not going to buy celebrate endorsement, but they will check the product whether it is matching with their skin tone or not.

The success mantra of sugar cosmetic is its products, a solution of all the problems and it show results in few days. Initially they launch two products new items like eyeliner and a kohl pencil from a reputable German producer it was launched in 2016, it did not work in India market, but it was successful in UK and USA market. The reasons behind the success of Sugar cosmetics in the UK and the USA markets are customers are used to purchasing products online, and they do not have any problem with sugar cosmetics because it was made in Germany. In a little while, Indian customers also get influenced by the foreign connections of the sugar brand, subscribers started consuming Sugar cosmetics. 'Made in Germany' ensuring a good start for Sugar cosmetics, when the industry was dominated by gloss cosmetic products. Sugar cosmetic decide to develop a matte version items which the clients could use every day turned out to be a hit. Their design partner, Opposite was given the task to create "thumb-stopping packaging." They develop a strong, graphic approach that incorporates low-poly drawings, aware that the challenger brand needs to appear and feel unique from the prevalent minimal and largely black style. They started giving tough challenge to top ten rivals in Indian market are Purple, Lakme, Maybelline, Lotus Herbals, Blue Heaven Cosmetics, Nykaa, Plum, Marico, NewU, Emami.

Sugar Cosmetics emerge as India's fastest-growing premium cosmetic brand, with a cult following among millennial. Sugar cosmetics were positioned as a choice of brave independent women who refuse to be categorized into stereotypes, thanks to its clutter-breaking attitude, unique low-poly packaging, and chart-topping products. The brand's bestselling products are Lipsticks, Eye Liner, Foundation, Nail paints and Skin care products.

In 2015, SUGAR opened a Shopify store, which it continues to operate. They released an app in November 2019 that has over 800,000 downloads and a 4.6-star rating on Android and iOS. The majority of the internet acquisition

approach is still concentrated on social advertisements.

SUGAR debuted on Nykaa, the beauty website, in 2016 when it had a far smaller number of businesses than it does now. By 2017, Nykaa accounted for roughly 80% of the brand's income, and the team admits they weren't sure whether to be "glad or frightened." In any case, it was evident that distribution needed to be scaled. They go from Nykaa to other online platforms like Flipkart and Amazon. Sugar Cosmetics operates on a hybrid mode, currently brand has a presence in more than 10,000 sales outlets in more than 130 locations. Sugar Cosmetics' operating income increased by 82 percent in FY20, from Rs 57.14 crore in FY19 to over Rs 104 crore. Notably, overseas purchasers accounted for 15.4 percent of its revenues, or Rs 16 crore. During FY20, it generated a further Rs 1.4 crore from its financial assets**,** backed by the faith of marquee investors and the passion of millions of beauty aficionados.

**Sugar Cosmetics - Funding and Investments**

| Date | Round | Amount | Lead Investors |
|---|---|---|---|
| Oct 21, 2020 | Series C | $21M | A91 Partners, Elevation Capital, India Quotient, Stride Ventures |
| Mar 8, 2019 | Series B | $12M | A91 Partners, Anicut Capital, India Quotient |
| Jun 1, 2017 | Series A | $2.5M | India Quotient, RB Investments Pte. Ltd. |

The mission statement stated that**, "We believe in every interpretation of beauty. Bold to subdued, quirky to crazy, every day to glam goddess! We aim to celebrate every aspect of you, no matter what your style is. So, go ahead and pick your faves." The tag line of the brand is "Independent women bold and free". In addition, the brand chooses Tapsi Pannu as an Influencer, Tapsi Pannu is a self-made woman and many people get influenced by her, the choose to go by aspirational positioning. They prefer to choose s**ocial media for positioning Sugar cosmetics. According to Vineeta, the customers spend more time on their smartphones than in retail stores, so they choose to do posting educational content, tutorial marketing, with reputed Influencers. They develop lots of informative content in Youtube and they develop the SOS in such a manner the customers land up into their website and get engage with their content on social media. The company leveraged this as a chance to boost its social media presence. "We used to get around 100 million monthly impressions before lockdown, but that number has already risen to almost 240 million. We recently passed one million Instagram followers, and our own app has over 800,000 downloads," Vineeta revealed.

In FY22, Sugar Cosmetics intends to increase its offline standalone locations. The brand, which was created in 2015, currently manages 70 outlets on its own, with aspirations to increase that number to 100 by December. The brand intends to use to extend and enhance its retail base to improve its retail marketing and visual merchandising experience.

**Questions:**

1. How the Business Model of Sugar Cosmetics is different from other players?
2. Discuss the role of Social Influencers in developing the Brand Image?
3. Is Hybrid Revenue Model a good idea for Sugar Cosmetics?


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